BIMETALISM

Henry Dunning Mac Leod

SECOND EDITION

BIMETALISM

Prove all things—Hold fast to that which is good

I Thess. V., 2

BIMETALISM

BY

HENRY DUNNING MACLEOD, M.A.

OF TRINITY COLLEGE, CAMBRIDGE, AND THE INNER TEMPLE, BARRISTER-AT-LAW

SELECTED BY THE ROYAL COMMISSIONERS FOR THE DIGEST OF THE LAW TO PREPARE THE DIGEST OF THE LAW OF BILLS OF EXCHANGE, NOTES, ETC.

HONORARY MEMBER OF THE JURIDICAL SOCIETY OF PALERMO, AND OF THE SICILIAN SOCIETY OF POLITICAL ECONOMY

CORRESPONDING MEMBER OF THE SOCIÉTÉ D'ÉCONOMIE POLITIQUE OF PARIS, AND OF THE ROYAL ACADEMY OF JURISPRUDENCE AND LEGISLATION OF MADRID

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PREFACE

TO THE SECOND EDITION

THE exhaustion of the First Edition of this Tract in 46 days shows that it has attracted some public interest

The first edition, as stated in the preface, was merely a reprint of the seventh chapter of the new edition of my *Theory of Credit*, which has since been published, but in this edition I have made several important additions and improvements

It is no part of my design to give any account of the enormous evils inflicted upon India by the severe and unprecedented fall in the Value of Silver. They are exactly the same as would attend a Depreciating Paper Money. My sole purpose is to examine the remedy which has been proposed by a very large number of influential persons in many countries, that Gold and Silver should be coined in unlimited quantities at a Fixed Ratio to be determined by International Agreement between the principal mercantile countries in the world—which its advocates denominate **Bimetalism**

The gradual adoption by most of the European States of a single Gold Standard, coined in unlimited quantities, and made Legal Tender to an unlimited amount, with Coins of other metals, such as Silver, strictly limited in quantity, and only to be used as subsidiary to the Standard Unit—which is termed **Monometalism** —is one of the most important Economical events of the nineteenth century. This policy is being very widely impugned by numerous influential persons in most countries. The purpose of

this Tract is to give a succinct account of the indubitable historical facts and the incontrovertible arguments which a long series of illustrious men during five centuries have based upon these facts, upon which the modern system of Monometalism is founded: and to examine whether the Bimetalists have brought forward any sound reasons for invalidating them and for reverting to the former system

The whole of this vast controversy is reducible to a single, simple and definite issue—

Supposing that Gold and Silver are coined in unlimited quantities, and a Fixed Legal Ratio is enacted between them—

(1) Is it the Fixed Legal Ratio so enacted between the Coins which governs the relative Value of the Metals in Bullion?

(2) Or is it the relative Value of the Metals in Bullion which governs the relative Value of the Coins?

(3) And if it be found impossible for any single countries to maintain Gold and Silver coined in unlimited quantities in circulation together at a Fixed Legal Ratio, is it possible for any number of countries combined to do so by an International Agreement?

This is the whole gist of the controversy, and all facts and arguments adduced must be directed to establish one or other of these points. All descriptions, however long and minute, and however true, of the unfortunate state of commerce at the present time must be at once dismissed from consideration. This issue, which is the sole point in the case, is not to be determined by assertions evolved out of the inner consciousness of persons, however numerous and influential, but by a strict investigation of the history of the Coinage in various countries, and by solid arguments founded on these facts

I have given succinct, but I hope sufficient, notices of the attempt to maintain Bimetalism in England and France for five

hundred years, and its total failure and final abandonment in these countries

In both countries it was attempted to maintain unlimited quantities of Gold and Silver in circulation together at a Fixed Legal Ratio, but it totally failed. Oresme in France, Copernicus in Poland, and Gresham in England, demonstrated that the relative Value of the Metals in Bullion governs the relative Value of the Coins: and that if the Fixed Legal Ratio between the Coins differs from the market, or natural, Value of the Metals in Bullion, the Coin which is underrated invariably disappears from circulation, and the Coin which is overrated alone remains current

As it was, however, found to be impossible to be constantly adjusting the Fixed Legal Ratio to the perpetually varying Value of the Metals, Petty, Locke, and Harris demonstrated that the true remedy was to adopt **One** metal only as the Standard Unit, and to issue Coins of other metals only as subsidiary to the Standard Unit. This doctrine was enforced in a masterly Treatise by Lord Liverpool in 1805, was entirely approved of by the Government of India in 1806, and was finally established as Law in this country at the great recoinage in 1816. And ever since then England has enjoyed the most perfect system of Coinage ever devised by the ingenuity of man, and has been perfectly free from all Coinage troubles

I am fortunate in being able to bring before my readers an experience which is wholly novel to the general public, and is of overwhelming weight

Mr. Robert Chalmers, of the Treasury, author of a very useful History of Colonial Currencies, informed me that the Governor-General of India in Council had issued a most important Minute on Bimetalism in 1806

When making application at the India Office, I was at once most courteously permitted to take a copy of this Minute and to

publish it. I have given *verbatim* extracts of such parts of it as relate to Bimetalism, which are now for the first time made public, and are of decisive weight in the present discussion

It will be seen that the Indian Government, being plagued and tormented by the multitude of Gold and Silver Coins—994 in number—which were circulating in India of different weights and fineness, attempted to establish Bimetalism in India in 1766. But the attempt wholly failed, and having had ample and bitter experience of Bimetalism in all its forms, denounced and renounced it, and all its woes, and declared its adhesion to Monometalism. Most unfortunately, when they had the choice of either metal, they adopted Silver exclusively and totally demonetised Gold, which has been the cause of all our present troubles

It will be seen that the illustrious authorities I have cited, with the ample experience of centuries before them, have unanimously demonstrated that it is the relative market Value of the Metals in Bullion which governs the relative Value of the Coins—and not the reverse, as the Bimetalists assert. The Fixed Legal Ratio of the Coins never had the least effect on the market Value of the Metals. During all this long period of time, not a single person supported the doctrine now maintained by the Bimetalists

It was demonstrated by the inexorable logic of facts, and by incontrovertible arguments that—

The Worst Form of Currency in Circulation regulates the Value of the whole, and drives all other Forms out of Circulation

This great fundamental Law of the Currency, which is found to be true in all ages and countries, is just as firmly established as the Law of Gravitation. It is absolutely universal. It is not limited in Time or Space. It is true through however large an area it operates

When, therefore, the Bimetalists assert that the Law, which has been found to hold good in all ages, and in all single and

separate countries, can be set aside and overruled by an International Agreement, it is just as rational to say, that if all separate and single States cannot set aside the Law of Gravitation, an International Agreement can do so—or to say that if all separate and single States cannot regulate the course of the Moon, an International Agreement can do so

But to determine all the issues raised by the Bimetalists much wider considerations are necessary

The rock upon which the Bimetalists, and most other persons who chatter about the Currency, founder, is that they consider Gold and Silver only to be the Currency, or Circulating Medium, and the Measure of Prices

But the Currency, or Circulating Medium, consists not only of Specie—Gold, Silver and Copper—but also of **Credit** in all its forms, both written and unwritten

The Bimetalists persistently assert that the Commercial *malaise*, which prevails throughout the world at the present time, is due to the Scarcity and Appreciation—as they are pleased to term it, by which they mean the rise in the Value—of Gold. They attribute this to the Demonetisation of Silver, and they allege that this fall in the Value of a certain number of commodities is due to the fact that Gold has to do double duty. They allege that if Gold and Silver were coined in unlimited quantities, at a fixed Legal Ratio, it would increase the quantity of the Currency, or Circulating Medium, of the world

Now, in the first place, no country whatever has Demonetised Silver; all they have done is to restrict its quantity. In the second place, the history of the Coinage in different countries proves that in no country whatever did Gold and Silver ever circulate together at a Fixed Legal Ratio. But they alternately drove each other out of circulation, as one or the other was overrated, or underrated, by the Fixed Legal Ratio. And it is a

pure delusion to suppose that coining Gold and Silver in unlimited quantities would augment the Currency of the world

All these assertions are the coinage of the vain imagination of the Bimetalists, arising from their neglecting to study the history of the Coinage in various countries, and their ignorance of the rudimentary Laws of Economics

In the next place they totally omit the consideration of what they might see in any Treatise on Economics, that Rights of action, **Credits**, or **Debts**, have exactly the same effects on Production and Prices as an equal quantity of Gold

If this had been an independent Treatise, it would have been necessary to have given a complete exposition of the Juridical and Scientific principles of Credit and its organisation, both Mercantile and Banking. But as it is only a single chapter of a complete Work, it would be impossible to repeat these here. In the chapters preceding this one in my *Theory of Credit*, and in the subsequent ones, I have given a complete exposition of the history, principles and organisation of the colossal system of Credit, and I can only refer any readers who feel an interest in the subject to the complete Work of which this Tract forms only one chapter. To apprehend the whole subject of Bimetalism it is necessary to consider it in combination with the system of Credit

The fact is that we have long passed through the ages of Gold and Silver—We are now in the age of **Credit**, or **Paper.** Gold and Silver are now only used in small daily and retail transactions to serve as pocket-money. All operations in commerce and trade are now carried on by **Rights of Action, Credits**, or **Debts,** and the only use of Gold now in commerce is for Banks to keep such strong reserves of Gold as to inspire the public with confidence that they can pay their Credits, or Debts, on demand. I have shown that Credits, or Circulating Debts,

now constitute about 99 per cent. of the Currency, or Circulating Medium, in this and other great mercantile countries

To treat of the question of the Currency, or Circulating Medium, or the Measure of Prices, at the present day, and to include only Gold and Silver under that title, and to leave out all consideration of the colossal system of **Credit**, is just as irrational as it would be to write a general Treatise on Mathematics, and to leave out all mention of the Differential Calculus and its developments—or to write a treatise on the Conveyances of the present day, and to include only pack horses, stage wagons and stage coaches—and to omit all mention of Canals, Railroads, and Steamers: or to write a treatise on Mechanics, and to leave out all mention of the Steam Engine

In fact, **Banking Credits**, which are "goods and chattels," "vendible commodities,"—and an inferior form of money—are now for all practical purposes, the **Current Coin** of the **Realm.** And to show what a mass of Banking Credits may be built up on a very slender basis of specie, we may take the example of dear old Scotland, because it has the best organised system of Banking in the World. It appears by the last official accounts that with a reserve of Gold of £4,866,511, the Scottish Banks are able to support Banking Credits to the amount of £92,240,356. These 92 millions of Banking Credits have exactly the same effects in every respect as an equal quantity of Gold. And when by a well organised system of Banking it is found possible, for all practical purposes, to multiply less than 5 millions of Gold into more than 92 millions, what becomes of the baseless cry of the Scarcity and Appreciation of Gold?

If any one wishes to comprehend the marvellous powers of a well-organised system of Banking, let him study the mechanism of the Banking system of Scotland given in my *Theory of Credit*, and he will then see the force of the aphorism of Demosthenes—"If you were ignorant of this, that **Credit** is the greatest **Capital**

of all to the acquisition of **Wealth**, you would be utterly ignorant" ;—and of the aphorism of Daniel Webster—"**Credit** has done more, a thousand times, to enrich nations than all the mines of all the world"

Thus all the assertions of the Bimetalists are melted into air, into thin air, leaving not a rack behind

Bimetalists complain that they never can get Monometalists to answer their *facts* and their *arguments*. The answer is very simple. They never do adduce any real facts or arguments. Monometalists may have a vague general idea that their system is the right one, but very few have any real knowledge of the historical facts, and the arguments based upon these facts, upon which the system of Monometalism is founded. The object of the present Tract is to supply to Monometalists a concise, but sufficiently full, statement of the facts and arguments upon which their system is founded, and by which they must defend it ; and also to show to Bimetalists the facts and arguments which they have to assail, controvert, and overthrow—if they can—before they are entitled to a hearing

The following selection of Works contains the historical Facts of the case—

Ruding, Annals of the Coinage of England. 3 vols. London, 1840.
Le Blanc, Traité historique des Monnoyes de France. Paris, 1692.
St. Maur, Essai sur les Monnoies. Paris, 1746
De Bazinghen, Traité des Monnaies. Paris, 1764
An abstract of these Works is given in MacLeod's *Dictionary of Political Economy*. London, 1862
The History of the Coinage of India
The History of Inconvertible Paper Money in numerous countries
Chalmers, History of the Colonial Currencies. London, 1893
With numerous other works on the Coinage of other countries *á volonté*

And for incontrovertible Arguments founded on these historical Facts, the following may be selected

Oresme, Traictie de la Première Invention des Monnoies. About 1366

Copernicus, Monetæ cudendæ Ratio. 1526

Sir Thomas Gresham, Letter to Queen Elizabeth, 1560

Sir William Petty, Political Anatomy of Ireland, 1691

Locke, Considerations concerning the Raising the Value of Money, 1692

A Reply to the Defence of the Bank, setting forth the unreasonableness of their slow payments. London, 1696

Harris on Coins. About 1750

Sir James Steuart, The principles of Money applied to the present state of the Coin of Bengal, 1772

Lord Liverpool, Treatise on the Coins of the Realm, 1805

Minute of the Governor-General of India in Council, 1806. (Given in this Work)

Speech of **Mr. Wellesley Pole,** Master of the Mint, on introducing the Resolutions in the House of Commons, on which our present system of Coinage is founded, 1816. Parliamentary Debates, vol. xxxiv., col. 860

Debate on **Bimetalism** in the House of Commons, 1830. Parl. Debs., N.S., vol. xxv., col. 101

Despatch of **Sir Charles Wood,** Secretary of State for India, to the Government of India. Sept., 1864

Besides innumerable other Tracts and speakers *à volonté*

These are a sufficient selection of works containing the historical Facts and incontrovertible Arguments upon which our present system of Coinage is founded. Let the Bimetalists retire to their studies, read, mark, learn, and inwardly digest the above works, and consider what answer they can give to them. Until they have done that they should be silent

There is only one way by which this vast and wearisome controversy can be brought to a satisfactory conclusion. It is not to be decided by cheering mobs, or the votes of popular assemblies like the House of Commons. For better or for worse we are in for Democracy in politics: but may a merciful Providence preserve us from Democracy in Science. Where would our sublime system of Astronomy, or the beautiful mathematical theory of Light, be, if they had to be submitted to the judgment of the yokels of Cambridgeshire?

Let a Royal Commission be appointed consisting exclusively of Law Lords, and Bankers and Merchants of the highest sagacity and experience, forming a strictly Judicial Tribunal. Let the Bimetalists, as being the assailing party, appear before it, and be required to prove all their allegations and assertions by strictly legal and historical evidence, on every single point of which there exist vast masses of indubitable evidence which are readily available

When the Bimetalists are called upon to substantiate their assertions before such a tribunal, they will find themselves very much in the case of Shadrack, Meshek, and Abed-nego, when cast bound into the burning fiery furnace—but they will not escape so easily as those young gentlemen did

Under the fierce light of strict legal cross-examination, they will find that all their gaseous assertions have infinitely less substance in them than the most attenuated Comet that ever visited the Solar System

Why should Bimetalism in the nineteenth century produce results in any way different from those which it has invariably produced in all preceding ages?

All descriptious of the commercial depression, which at present indubitably prevails throughout the world, must be entirely excluded from the consideration of this question. The sole question is whether the remedy which the Bimetalists propose is

possible, and whether it would do anything to alleviate that depression

The sole question is—Whether it is the Fixed Legal Ratio of the Coins which governs the relative Value of the Metals in Bullion ? or—Is it the relative Value of the Metals in Bullion which governs the relative Value of the Coins ?

And when the question is reduced to this single, simple and definite issue, there are mountains and mountains of evidence—not only Ossa piled upon Pelion, but the Himalayas piled upon them, in favor of the Monometallic system. Whereas there is not the faintest shadow of the shade of the ghost of the n^{th} differential co-efficient of a pin's point of evidence in favor of the contention of the Bimetalists. It is absolute **Zero**

The evidence of history, and the arguments of a series of illustrious men for five centuries, are perfectly clear, unanimous, and decisive, that it is the relative Value of the metals which governs the relative value of the Coins—and not the reverse as the Bimetalists allege. During all this long period of time there was not a single person who held the present doctrine of the Bimetalists : the evidence against it from practical experience was too overwhelming

The Bimetalists assert that fixing a Legal Ratio between Gold and Silver by International Agreement would establish a stable Exchange between England and India, but as shown in Chapter X., § 3, it was proved before a Committee of the House of Lords that it is impossible to have a fixed Par of Exchange between countries which use different metals as their Standard Unit

All the assertions of the Bimetalists are the coinage of their own vain imagination. And when the delusive mirage of visionary dreams of boundless prosperity to follow the adoption of their system, propagated by the Bimetalists, is scrutinized by the all-seeing eye of Knowledge, it will be found that the hideous reality is **National Bankruptcy**

If the Bimetalists were entrusted with the reins of national Economical policy, they would surely and swiftly produce such a catastrophe as Phaethon did when he tried to guide the coursers of the Sun

The Bimetalists may rest assured that the Monometallic Jericho is an impregnable fortress, whose walls will never fall before the blare of the Bimetallic trumpets, blare they ever so wild and loud and long

To all persons, and they are many, who have neither the time nor the inclination to enter into all the mazes of this vast and intricate controversy, I would offer the following broad general considerations

The assertion of the Bimetalists that it is possible to regulate the Value of Gold and Silver by International Agreement is flatly contradicted by—

(1) The History of Bimetalism in every country

(2) The unanimous arguments of Oresme—Copernicus—Gresham—Petty—Locke—Newton—Harris—Sir James Steuart—Lord Liverpool—the Government of India—the British Government—and hosts of other experienced persons who had the consequences of Bimetalism before their eyes

(3) That in no country whatever has it ever been found possible to maintain Gold and Silver in circulation together in unlimited quantities at a Fixed Legal Ratio: but that after attempting to maintain Bimetalism for centuries, every State in Europe has been obliged to abandon it as impracticable and injurious

(4) That the circumstances of the present times are totally different from what they were when it was attempted to maintain Bimetalism

(5) That Mr. Herries, Mr. Huskisson, and Sir Robert Peel declared that the attempt to re-establish Bimetalism under our present circumstances would instantly lead to a **National Bankruptcy**

(6) That, as I have shown, France, with her internal Currency consisting exclusively of Silver, cannot adopt Bimetalism *at any Ratio*, under the penalty of instant **Bankruptcy** and **Ruin.** That at once precludes France from listening to *any* scheme of Bimetalism : and if France cannot join, what becomes of the hopes of the Bimetalists ?

If the Bimetalists were to propose to cut every sovereign in half—or to debase every sovereign with 50 per cent. of alloy—and to compel every Creditor to accept such half-sovereign, or debased sovereign, as a Pound in the payment of a debt—that would be too manifest a fraud to impose upon the most stolid Philistine. Nevertheless, they propose to do the very same thing by a circumbendibus. They propose to take 20*s*. in silver, which are at present worth less than 10*s*. in Gold—to declare them equal in value to 20*s*. in Gold, or a Pound, and to compel every Creditor to accept these 20*s*. in silver at the value of a Gold Pound. Such a transparent juggle would not impose upon the intellect of the dullest Board School urchin in the dullest Board School in the Kingdom

In plain English, the proposal of the Bimetalists is simply to **Debase** the Currency by more than 50 per cent.

I should hope that these considerations, stated in plain terms, will be sufficient to induce all intelligent persons rigorously to close their ears to the pipings of the Seirens of Bimetalism, pipe they ever so sweetly

And now the last crushing blow has fallen on the Bimetalists. The German agriculturists, deluded by the idea that Bimetalism would raise the price of agricultural produce, worried the Government into appointing a Commission on the subject, and the Commission unanimously agreed that the price of Silver cannot be raised by International Agreement. So vanish the last flickering hopes of the Bimetalists

Nevertheless, let not the Bimetalists relax their energies. Let them only change the direction of their efforts. Let them at once and for ever abandon their visionary chimera that things can be made equal by some words written in a book, which are by nature unequal. Let them give up their vain delusion that an International Agreement can make 6 equal to 12. Let them cease from their vain objurgations, which can no more alter the Laws of Nature than the ripple of the summer sea can wash away Ailsa Craig. Let them unite their forces heart and soul with those who are urging the Government to complete their work, and satisfy the universal demand of India for the restoration of the Gold Standard and Currency, with a subsidiary Currency of Silver, modelled on such of the European systems as the wisest and most experienced experts may deem most suitable for the circumstances of India. For let them be assured that there is no possibility of bringing about a stable Rate of Exchange between England and India until the two countries have a common Standard Unit: and there never can be Monetary Peace in India until the **Gold Sovereign** is made the **Standard Unit** throughout the whole **British Empire**

HENRY DUNNING MACLEOD

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Lord Ardmillan.—I think it (the Digest) a work of great merit, and likely to be of great use to the Legal Profession, and to the public

Lord Manor.—The subject is one of which you are so thoroughly master, that there can be no fear as to the successful execution of the work

Lord Farrer.—Mr. Henry Dunning Macleod, to whom, and to his works on Credit, I am proud to confess my own obligations.

BIMETALISM

Movement *to* Restore Bimetalism

1. Most persons of common sense had supposed that after this country had been plagued and tormented for five hundred years with the futile attempt to maintain Bimetalism, whereby all commerce had been thrown into confusion, and it had been finally abandoned as hopeless—after Oresme and Copernicus had shown that its fundamental principle is erroneous—after Sir Thomas Gresham had explained to Queen Elizabeth that it threw the whole system of Coinage into confusion—after Locke, Petty, Harris, and all the ablest writers on Money had shown that a single metal only should be adopted as the standard of the Coinage—after Newton had shown that a difference between the legal ratio of the coins and the market value of Bullion had caused the underrated Coin to disappear from circulation and the overrated Coin only to remain—after Lord Liverpool's masterly and unanswerable Treatise on the subject had shown that Locke's doctrine was the true one—after the Government of India had fully considered the question, and in a well considered and elaborate State Paper had utterly condemned Bimetalism with the most weighty and unanswerable arguments—after the British Government in 1816, being perfectly well informed on the question in all its bearings, had established Gold Monometalism in England, and instituted the most perfect system of Coinage ever devised by the ingenuity of man—after a debate on Bimetalism in the House of Commons in which Mr. Herries, the Master of the Mint, Mr. Huskisson, and Sir Robert Peel, the ablest financiers of the day, who were thoroughly well acquainted with the facts and reasonings upon which our present system of Coinage was founded, had pointed out that an attempt to restore Bimetalism, when the value of silver had only fallen five per

cent., would bring about a national bankruptcy in twenty-four hours, and the motion was negatived without a division—after every Government in Europe in tardy recognition of the true principles of Economics as proved by the experience of ages and the unanswerable arguments of Oresme, Copernicus, Gresham, Locke, Lord Liverpool and others, have one after another repudiated Bimetalism and adopted a single standard—the question had been finally settled, and that it was proved to demonstration that Bimetalism is nothing but an exploded fallacy, utterly impracticable from the very nature of things

Nevertheless it is not so. The undeniable disturbances of commerce caused by the very serious fall in the value of silver in recent years, which we are by no means assured has yet reached its limit, has re-opened the whole question, and the world, and especially this country, is now being flooded with torrents of declamation to restore what has been proved by the experience of ages in every country to be absolutely impossible

We are not concerned here to state the causes which have produced the remarkable change in the relative value of gold and silver, the most serious and sudden which has ever taken place, as its causes are perfectly well known : we are only concerned with the remedy proposed by a numerous set of persons

Sole Point *at* Issue

2. Notwithstanding the torrents of speaking and writing which have been poured forth on the subject, the whole question is reducible to a single simple issue—

Suppose that Governments issue Gold Coin and Silver Coin in unlimited quantities, and endeavor to establish a Fixed Ratio between them by Law—

(1) Is it the Legal Ratio fixed between the Coins which governs the Value of the metals in Bullion in the market ?

(2) Or is it the Market Value of the metals in Bullion which governs the Value of the Coins ?

(3) And if each Government separately cannot, under such circumstances, maintain unlimited quantities of Coin in circulation at a fixed ratio—can all the Governments in the world maintain

unlimited quantities of Coin in circulation if they agree to enact a uniform ratio ?

The Bimetalists maintain the first of these propositions—the Monometalists maintain the second. To the third proposition the Bimetalists reply in the affirmative : the Monometalists reply in the negative

As the representative of the Bimetalists we may cite Senator Stewart, of Nevada, who says that "the free and unlimited coinage of both Gold and Silver has always maintained the parity of two metals at the ratio established by law "

The reckless audacity of such a statement is enough to take away one's breath : because the experience of centuries in every country in Europe, and the rudimentary Laws of Economics show that it is the exact reverse of this statement which is the truth

Oresme *and* Copernicus *on Money*

3. The Theory of Money was the first great department of Economics which was established in modern times on solid foundations by Nicolas Oresme, councillor to Charles V. of France, and Count Bishop of Lisieux, and Copernicus

It has been shown in the preceding chapter that the Sovereign can only fix the weight, the purity, and the denomination of the Coin: but cannot fix its Value, *i.e.*, its power of purchasing or exchanging with other commodities : and that when traders sell their goods for Coin they do so for a certain quantity of Bullion, no matter into how many pieces it may be divided. So that if Sovereigns diminish the weight of their Coin, or debase its purity, traders invariably raise the price of their goods so as to secure a certain amount of pure Bullion. Coins are nothing but pieces of stamped Bullion, and their value can by no possibility differ from the value of Bullion by more than the cost of changing the metal from the form of Bullion into that of Coin : and if Bullion is changed into Coin free of all charge Bullion must be of exactly the same Value as Coin : they are nothing but commodities which simply follow the value of Bullion

Bimetalism *in* France

4. Charlemagne established the system of Coinage which was adopted throughout Western Europe. He enacted that the pound weight of Silver should be the standard, and divided it into 20 *solidi*, or shillings, and each *solidus* into 12 *denarii*, or pennies. Hence 20 *solidi* were called a Pound, no matter what the weight of each *solidus* was. But the *solidus* was merely money of account: the only actual coin was the *denarius*, or penny

The Kings of France maintained the purity and weight of the Coinage till 1108, when Louis VI. issued a very debased Coinage, half copper and half silver: which made such terrible confusion that he was obliged to promise that he would not debase it any further.

Louis VI. issued a Gold coinage called the *franc d'or* in 1113. The pound weight of gold was cut into 20 of these pieces, which was its Mint Price: and as the Mint Price of Silver then was £2, it follows that the ratio of Silver to Gold was then 1 to 10. The *franc d'or* continued at that weight till 1305, when the Mint Price of gold was raised to £44, and after that the changes both of Gold and Silver were so frequent till 1726, that it is impossible to give them here at full length: but we have done so elsewhere.[1]

St. Louis (1226) restored the Coinage to a certain degree of purity and fixity of weight, and when the following kings produced the greatest misery and confusion by debasing their money, it was always the standard of St. Louis that was demanded. But they never could refrain from debasing their coin, under the delusion that their *fiat* could make debased coin have the same value as good coin. Philip le Bel (1285) had the honor of being singled out by Dante as a false coiner—

> "Li si vedra il duol che sopra Senna
> Induce, falseggiando la moneta"[2]

> "There shall be seen the woe that he shall pour
> Along the Seine by uttering coin debased"

And so subsequent kings continued to do, causing terrible distress and seditions, ruining the merchants and driving away

[1] *Dictionary of Political Economy.* Art. Coinage of France, p. 509

[2] *Paradiso*, xix., 119

trade from the country. Not only did the kings debase the coinage *ad libitum*, but they repeatedly changed the Mint Price of Gold and Silver. In twelve years, from 1346 to 1357, the Mint Price of the gold florin was chauged 118 times

Charles V. (1364) from his experience as Dauphin during the disastrous wars and captivity of his father, had learnt that the debasement of the coinage had greatly impoverished France, and had contributed to the political troubles which had so cruelly torn the country. The wise king having greatly at heart to repair the evils, and restore his country to its ancient grandeur, paid the greatest attention to the state of the Coinage. He referred the matter to one of his councillors, Nicolas Oresme, afterwards Count Bishop of Lisieux, who, in answer to the appeal of his sovereign, produced his great Traictie de la première Invention des Monnoies, in 26 chapters,[1] which may justly be said to stand at the head of modern Economic literature. This contains a masterly account of the true functions of Money, and condemns in the most energetic language all changes in the weight, rating, denomination and purity of the Coinage

Oresme *on* Money

As this noble Treatise is the ablest Economical work which appeared in Europe for centuries, and is the foundation of the true Theory of Money, and moreover is very little known, we may give a brief analysis of it

Nicolas Oresme, one of the most distinguished men whom France produced in the fourteenth century, was a native of Normandy, and was born at the village of Allemagne, near Caen. He was educated at the Collège de Navarre, and was elected its Grand Maître in 1355, and greatly reformed its course of study. He was successively Archdeacon of Bayeux, Dean of the Chapter of Rouen, and Treasurer of the Sainte Chapelle of Paris. He was famed for his knowledge of Philosophy, Mathematics, and Theology. Charles the Wise sent him on a mission to Urban V. at Avignon, where he pronounced a bold discourse on the disorders of the Papal Court, for which, of course, he was accused of

[1] *It was republished by MM. Guillaumin et Cie., along with the Treatise of Copernicus.* Paris, 1864

heresy. Charles V. nominated him one of his Councillors, and was greatly guided by his advice. Under his orders Oresme translated the Ethics, Politics, and other works of Aristotle. Besides his other works, he left 115 sermons, one of which was directed against changes in Money. He wrote a treatise on the sphere in French. When Charles V. determined on a reformation of the Coinage he applied to Oresme, who drew up for him his celebrated Treatise on Money. This, his most original treatise, and the one which has the most interest for us, was printed more than once, but it never attracted much attention until Professor Roscher, of Leipzig, first appreciated its great importance, and brought it to the notice of the French Academy in 1862, and it was published by Guillaumin in 1864. Charles V. appointed Oresme Count Bishop of Lisieux in 1377, where he died in 1382

Oresme begins by explaining the nature and uses of money. He shows that nations at first used to barter their products directly with each other. But as great inconveniences and quarrels arose from this, money was invented to serve as a medium to facilitate the exchanges of products. He shows that gold and silver were selected for this purpose from the natural qualities they possess. At first gold and silver were exchanged by weight without any stamp, but it was afterwards found more convenient to cut the metal into pieces of a definite weight and fineness, and to impress them with a stamp to certify to the public that they were of this fixed weight and fineness. As these pieces of metal, called Coins, were for the use of the public, private persons were not allowed to stamp them : but this was reserved for the public authority, and therefore such coins could only be issued by the Prince, who should forbid any private person to do so under pain of death. But though the Prince should coin and issue this money, it did not belong to him as his private property, but to the whole community. And as the money belongs to the whole community it ought to be struck and issued at the public expense, with a small charge for seignorage. Nor should any change be made in the weight, fineness, or denomination of the coinage

At this period, and for centuries afterwards, Coins were issued

at a fixed legal ratio to each other, which at the present day is called Bimetalism. Oresme did not then perceive the impossibility of maintaining such a system. *But he showed that such a ratio ought to be fixed strictly according to the natural, or market, value of gold and silver :* and the ratio should not be changed except in consequence of a change in the market value of the metals. But this change must not be made by the arbitrary will of the Prince: because if he had the right to bestow an arbitrary price, or value, on money he might as well claim to fix the price or value of all the products in the kingdom : which would be an intolerable tyranny, and subject to the maledictions quoted by our Lord from Isaiah on those who make unjust laws

Thus we see that Oresme expressly lays down that the legal ratio of the Coins must be adjusted to the natural, or market, value of the metals, and he never conceived such a fatuous idea as that fixing the ratio of the coins could regulate or govern the market value of the metals, as so many persons maintain at the present day

Oresme then inveighs against changing the denomination of the Coins, which he says is just the same thing as changing their ratio : and he says it would be a great scandal and falsity to call a thing a pound which is not a pound

To alter the weight of the coin is utterly unjust and disgraceful to the Prince, because his image is impressed upon it expressly to certify its weight and fineness, and if it does not correspond to the reality it is a base falsity and a fraudulent cheat. Measures of corn, wine, and other things are sealed with the public seal of the Prince, and if any fraud is committed in these it is held to be infamous : similarly the stamp impressed on the coin certifies the truth of its measure, weight, and purity : who then can sufficiently express how detestable it is in a Prince to diminish the weight of the coin ? Such a thing is condemned in numerous places by our Lord, and in Deuteronomy such things are said to be held in abomination by God

To debase the Coin is equally wicked as to diminish its weight, for it falsifies the stamp, which thus becomes a liar and commits perjury, and bears false testimony. And this falsification is even worse than diminishing the weight, because it is less easily detected

by the people, and can injure them still more. The sole purpose which a Prince can have in changing the weight, purity, or denomination of the coin is his own private profit. But all such gain is evil and unjust, and is fraud and falsity, and against nature. It is even worse than usury, which was then held to be a theological sin of the first magnitude

Moreover, in consequence of these changes and debasements of the coin, gold and silver diminish in the Kingdom, and *nothing can prevent them from being exported to other places where they have a higher value.* So also by changes and debasements of the money foreign merchants cease to bring their goods into the country, for what chiefly induces a merchant to import his wealth into a country is good and certain money. Such tamperings with the money throw all commerce into confusion, and destroy all confidence

Such is a sufficient account of Oresme's argument ; for it at once contradicts the assertions of the Bimetalists, and expressly says that any change in the legal ratio of the coins must follow the changes in the market value of the metals. He gives no countenance to the idea that a fixed legal ratio between the coins can control the market value of the Metals. Moreover, he anticipated by 200 years what we have designated as the Law of Gresham, that the degradation and debasement of the coin causes gold and silver to disappear from circulation. But he did not anticipate the doctrine of Locke, that money of a single metal should be adopted as the standard, and that all others should be made subsidiary

The treatise of Oresme was written a hundred years before printing became general, and was merely drawn up for the consideration of Charles the Wise, and consequently did not get into general circulation and become known. It was not known to Copernicus when the same problem was submitted to him. But Copernicus developes exactly the same principles

Copernicus *on* Money

At this period and for long afterwards, every Sovereign in Europe conceived that it was a part of his inalienable Divine

Right to diminish the weight of his Coinage, and to debase it as much as he pleased, and to compel his subjects to receive the degraded and debased Coins at the same value as good Coins, and to change their rating with respect to each other as often as he pleased. Nicolas Oresme was the first great man to raise an energetic protest against this robbery, which was called *morbus numericus*. One hundred and sixty years afterwards a still greater man than Oresme, repeated the same energetic protest

Nicolas Copernicus, the founder of modern astronomy, and one of the founders of a most important branch of Economics, was born at Thorn, in Polish Prussia, in 1473. He early acquired great distinction in Mathematics, which he studied under the most distinguished Professors of the day. He was appointed a Canon of Frauenberg about 1500

In 1522 Copernicus came under the notice of Sigismund I., King of Poland, of which Prussia then formed a part, by being sent to the Prussian States to seek redress for an injury which the *Grands Maîtres* of the Teutonic Order had done to the Chapter of Warmie, of which he was a member, as Canon of Frauenberg. Besides that, ever since the peace of Thorn in 1466, the *Grands Maîtres* had inflicted the greatest injury on the public by debasing their money. The cities of Thorn, D'Elbing, and Dantzig imitated their example, and outvied each other in similar practices

Sigismund wished to put an end to this disorder, and to assimilate the money of Prussia with that of the rest of Poland. Sigismund found a zealous supporter in Copernicus, who knew that the debased money had driven out the good money, which was either melted down or exported

Albert of Brandenberg had coined money with only one part pure silver and 11 parts of alloy: whereas the former proportion had been 9 parts fine and 3 parts alloy

Copernicus used all his efforts to have the Prussian money restored to its proper weight and purity: but he only excited against himself the hostility of the representatives of Thorn, D'Elbing and Dantzig, who claimed the right to debase their money

At the request of Sigismund Copernicus drew up this masterly

Treatise, entitled *Monetæ cudendæ ratio*, in 1526, and Sigismund carried out its recommendations in 1528

This Treatise, in the handwriting of Copernicus, is preserved in the archives of Koenigsberg. It was discovered in 1815 by Severin Vater, Professor in the University of Koenigsberg, bound up in a volume with several treatises on Prussian money. It was published in the *Pamietnik Warszawski* (*Memorial of Warsaw*) in the number for August, 1816 : and it has been included in the magnificent edition of the works of Copernicus published at Warsaw in 1854

Although Copernicus had no knowledge of the treatise of Oresme, written 160 years before his own, it will be seen that the doctrines maintained in it are identical in every particular with those of Oresme : and thus Oresme and Copernicus—*lucida sidera*—are the Castor and Pollux of Monetary Science

Copernicus says that the four principal causes of the decadence of States are civil discord, pestilence, the barrenness of the land, and the debasement of the Coin

Gold or Silver impressed with a stamp are the common measure of value : but this measure ought always to be fixed by established law : otherwise it brings disorder into the State : just as if the measures of length, capacity, and weight were not fixed quantities

This estimation is based on the purity of the metal, but its value must be distinguished from its estimation

The use of money arises from necessity. Exchanges might be effected by weighing out the gold or silver : as these metals by universal consent are articles of value : but it would be very inconvenient to carry scales and weights about with one, and all persons are not able to perceive the purity of the gold and silver. So it is universally agreed to stamp the pieces by authority, to certify that they contain the proper quantity of gold and silver

It is usual to alloy the money with copper, because it is less liable to be hoarded and melted down than if it was of pure metal : it makes the coins of a more convenient size and more durable

The money is in its best condition when it contains slightly less gold or silver than it is purchased for, in order to defray the expense of coining

Copernicus then describes the causes of the loss of value in money. It is not proper to introduce new and good money while the old is degraded and continues to circulate: and it is still worse to issue a new money still more inferior. *This not only diminishes the value of the old money, but quickly drives it out of circulation*

Copernicus then gives details of the Prussian money, and shows the consequences which the debasement of the coin had produced. He says that the money was being continually degraded, and it also degraded the existing money. *The result will be that all Gold and Silver will leave the country, and nothing but copper will remain:* which will arrest the import of foreign merchandise, and ruin all commerce. What foreign merchant would exchange his wares for copper money? and which of us could buy foreign goods with such money? So long as the Prussian money is so degraded only the goldsmiths and bullion dealers can profit by it. They cull out the pieces of the old money, which they melt down and sell the silver. When the old coin has nearly disappeared, they pick out the best of what remains, leaving nothing in circulation but the worst coin. Then comes the universal cry that gold and silver, corn, and all other provisions, the work of artisans, and all other things which are in daily demand by men have risen in price. Our indolence only prevents us from seeing that this rise in the price of everything only proceeds from the debasement of the money. In fact their price increases and diminishes in proportion as the money which we estimate, not in brass or copper, but in gold and silver, is deteriorated or reformed: because gold and silver constitute the basis of money, and determine its value

It may be said that base money is more convenient for the purposes of life: it aids poverty: it lowers the price of corn: and facilitates the acquisition of other necessaries: good money on the contrary makes everything dearer: but good money makes everything dearer for farmers, and all those who have to make fixed payments. This idea will please those who are deprived

of the right to coin money. Perhaps also it will please merchants and artisans, who incur no loss in selling their goods and their products, no matter what is the price of gold. For the more the money is debased, the more they charge for their goods and labor. But in regard to the public utility, they cannot deny that good money is advantageous, not only to the State, but to themselves, and to all conditions of men ; and that debased money is most injurious. In fact, we see that those States which possess good money flourish, whereas those which have debased money decay and perish. While Prussia had good money it flourished, but the increasing debasement of the coin has, with other calamities, nearly brought it to ruin

If it is intended to remedy the evils to Prussia by restoring the money, it is necessary to put down the confusion which arises from the multiplicity of mints. That prevents equality of value : and it is more difficult to keep a number of mints to their duty than one. And the money must be coined in conformity to fixed law. Princes have no right to derive any profit from their coinage : they must only add sufficient alloy to defray the cost of mintage : that it may make the coin slightly more valuable than bullion, and take away the temptation of melting it down

Besides this, in order not to fall into the confusion which arises from allowing the new money to circulate together, it is necessary as soon as the new money is issued to demonetise the old, and totally to forbid its use, after exchanging it at the mints at its market value. Otherwise it is useless to attempt to issue good money. The co-existence of the two moneys would destroy all the advantage of the new, and we should still have all our present confusion. It would cause inextricable confusion to have the two moneys circulating together. It is necessary, therefore, when new money is issued entirely to demonetise the old

It has been said that gold and silver are the basis which determines the value of the money. The remarks made respecting the silver money also apply to gold. It remains to explain the mode by which the relation of gold and silver money is determined. It is first necessary to ascertain the relation between pure gold and pure silver. *Because the same ratio exists between gold and silver when pure as when coined.* The same ratio exists

between gold in bullion and gold in coin as between silver in bullion and silver in coin, provided they are of the same purity and the same weight. *And the coins must have the same ratio to each other as the metals have as bullion.* Copernicus then gives some details of the relative purity of certain moneys. He says that at that time in all countries one pound of pure gold was worth twelve pounds of pure silver

Copernicus wrote his treatise entirely without the knowledge of the preceding one of Oresme. But the doctrines maintained by these two great writers are absolutely identical. They are—

1. That it is impossible for the Prince, or the Law, to regulate the value of the Coins: or of any other article

2. That all that the Prince or the Law can do is to maintain the Coinage at a fixed denomination, weight, and purity

3. That it is robbery for the Prince to change the denomination, diminish the weight, or to debase the purity of the Coinage

4. That it is impossible for good full-weighted Coin, and for degraded and debased Coin to circulate together: but that all the good Coin is hoarded, melted down, or exported: and the degraded and debased Coin alone remains in circulation

Thus these great writers fully recognised and anticipated what we have termed the Law of Gresham

5. That the Coins of Gold and Silver must bear the same ratio to each other as the metals in bullion do in the market: and that this ratio must never be changed except in consequence of a change in the market ratio of the metals. They quite perceived the impossibility of keeping Gold and Silver Coins in circulation together in unlimited quantities, at a legal ratio differing from the market ratio of the metals

Thus the doctrines laid down by Oresme and Copernicus are in diametrical contradiction to the allegations of the Bimetalists of the present day

It was left to the genius of Petty and Locke to discover that the true remedy for the perpetual confusion caused by attempting to keep Gold and Silver Coins in unlimited quantities in circulation together at a legal ratio differing from the market ratio was to

adopt One metal only as the standard, and to make Coins of any other metals subsidiary to it

The sage counsels of Oresme were utterly disregarded by monarchs subsequent to Charles the Wise. They persisted in their old courses of degrading and debasing the Coins, and making perpetual changes in their Mint Prices, *i.e.*, in the number of the Coins which they struck out of the marcs of Gold and Silver. Moreover, they changed the rating of these Coins to each other as often as they pleased. When they had debts to pay they cried the Coin up, when they had debts to receive they cried the Coin down. In our present space we have no room to enter into more details: but we have given them elsewhere.[1] These miserable practices were at last put a stop to in 1726: and no further changes were made in the Mint Price of the Coins till 1793, when the decimal system was adopted. But between 1113 and 1726 there were 146 changes in the Mint Price of the marc of gold, and 251 changes in the Mint Price of the marc of Silver. Such is the picture of Bimetalism in France during 613 years

At last, however, in 1726, the Mint Price of the marc of Gold was fixed at £740 9*s.* 1*d.*, and the Mint Price of the marc of Silver at £51 3*s.* 3*d.*: and the ratio of Gold to Silver was fixed at 1 to 14½. But in this ratio the value of Silver was fixed too high, and the Law pointed out by Oresme, Copernicus, and Gresham took effect, the Gold was exported and Silver became the usual standard of France. In 1803 the ratio was changed 1 to 15½, at which it nominally continues to the present day

The period between 1803 and 1873 is cited by Bimetalists as the golden age of Bimetalism. But if they imagine that there was during that period a general circulation of Gold and Silver Coins in unlimited quantities, they are under a woful delusion

The French Government pillaged all the Sanctuaries in France of their vast masses of silver plate, and the French liberating armies pillaged all the treasuries and sanctuaries of the countries they came to liberate. Immense quantities of silver plate were sent to the Mint to be coined: the consequence was that while the legal ratio of silver to gold was 15½ to 1, the market ratio

[1] *Dictionary of Political Economy*: Art. Coinage of France

became 17 to 1. No gold coin, therefore, got into general circulation. During the period from 1803 to 1820 there was for 11 years a premium on gold, sometimes as much as 3 per cent., which of course prevented gold coming into general circulation. But after 1820 the premium on gold rose very considerably, and between 1820 and 1847 it was usually on an average about 8 or 10 francs per mille, but in many years 18, 19, 20, and 21 francs, which of course utterly precluded any gold getting into circulation. I myself can testify that in 1839 there was not to be seen a gold coin in France in common use

But in 1851 a great change took place. The gold discoveries in California and Australia caused floods of gold to be imported into Europe, and in 1851 silver rose to a premium : then the money in common use changed from silver to gold. I was residing in a seaport town in 1857, and every steamer which came in was loaded with casks of Scotch whisky going to be transmuted into French brandy, and every steamer that went out had its decks piled with bags of silver five-franc pieces. The same was true at every other seaport. Silver departed from France in floods. Every steamer and every diligence that left France carried away loads of these five-franc pieces. At last the scarcity of silver became so great that it was found necessary to coin those pestilent five-franc pieces in gold

The reverse phenomenon began again in 1867. The first flood of gold having somewhat subsided, gold again rose to a premium, and silver displaced gold in circulation

Silver had thus began to fall in value in 1867, and excited some apprehension as to the possibility of maintaining the Latin Union formed in 1865. A Commission was appointed in 1867 to consider the question, but the majority voted against the adoption of a single Gold standard. But in 1868-69 a similar Commission declared in favor of a single Gold Standard. As matters became still more grave, a fresh Commission in 1870 delared most strongly in favor of a single Gold Standard. In June, 1870, a Commission was appointed in Prussia to consider the expediency of adopting a single Gold Standard. But all these discussions were put a stop to by the war. As soon as that was over, Germany being for the first time unified, a great reform of

the Coinage was carried into effect. As was natural, a single gold standard was adopted for the German Empire, and the general system of Coinage was modelled on that of England, which had proved so successful. Considerable quantities of silver were sold off to purchase gold, and this gave a further jog to the fall of silver. At last, in 1874, things became so serious that the Government was obliged to close the mints to the free coinage of silver, and thus the Bimetallic theory exploded

Bimetalists are in the habit of attributing the disruption of their fantastic dream to the closing of the French mints in 1874. But such an idea is a delusion. The French mints were closed because it was impossible to maintain Bimetalism. And even if they had not done so then, they would have been compelled by necessity to do so very soon afterwards. Because that sudden and terrific downward plunge of silver, which is entirely unexampled in the history of the precious metals, began soon after 1874. The ratio of silver to gold at the present day is as 1 to 35, and there is no certainty that it may not go much lower still. The Bank of France has an immense stock of silver which has the nominal value of about £50,000,000 sterling. But how does it bear this nominal value? Because it was originally valued at 15½ to 1 as to gold: and it is only maintained at this nominal value by rigorously closing the mints to the coinage of silver. If the French Government were to open the mints to the free coinage of silver at its present price, this immense stock of silver would at once lose about £28,000,000 of its nominal value. If Bimetalists think that the French Government will yield to their clamor, and give effect to their impracticable fad, they are utterly beyond the reach of sane argument

Bimetalism *in* England

5. As in all the rest of Western Europe, the Monetary Unit in England in the days of William I. was the pound weight of Silver divided into 240 pennies. Except during the turbulent reign of Stephen, the Kings of England did not degrade or debase their Coins. But immense numbers of false coiners sprang up, and notwithstanding the severest penalties of mutilation denounced against them, it was found impossible to suppress

them. Moreover, large quantities of base money were imported from abroad

But during all that time the money was merely hammered, so that it left an irregular edge. This produced great clipping of the coin. In 1205 John issued a proclamation suppressing the clipped coin. All that wanted more than 2*s.* 6*d.* in the pound was declared to be illegal and withdrawn from circulation. In order to test the Coin, legal weights were supplied at the Mint to all who applied for them. If any clipped coins were found in the possession of any one they were to be bored through, and the owner was to be treated as a thief, and forfeit his goods to the King. The same disturbances of the Coinage continued during the reign of Henry III. In 1257, in the 41st year of his reign, he issued a Gold Coinage, but the merchants refused to receive it, and it was withdrawn

In this troubled reign the Coinage was clipped down to half its weight: prices rose in proportion, and foreign merchants refused to trade. But up to this time the Kings of England had not supposed that they had any right to coin more than 240 pennies out of the pound weight of silver, and yet to call the diminished Coins by the same name

That great sovereign Edward I. was the first to begin the evil practice of debasing the Coin. In 1300, the 28th year of his reign, he coined the pound weight of silver into 243 pennies

The same disturbances in the Coin continued through the reign of Edward II., and repeated proclamations were issued against the importation of base money from abroad

Edward III. found the Coinage in a dreadful state from the feeble and incapable reign of his father, and it was one of the first abuses he was called on to remedy. In 1331 the state of the Coinage was brought before Parliament, and a Committee was appointed to devise a remedy. The exportation of good money was forbidden on pain of death : and it was forbidden to melt it down on pain of forfeiture. But all these penalties were ineffectual. The financiers of that age had not discovered the great fundamental law of the Coinage, afterwards revealed by Oresme, Copernicus and Gresham, that good and bad money cannot circulate together : but that bad money always drives out good money

This constant corruption and debasement of the Coins repeatedly attracted the attention of Parliament, and they made useless and ineffectual laws to prevent the exportation of good money and the importation of bad money: denouncing merciless penalties on offenders, and offering rewards to informers

In 1343, in consequence of the chronic clipping and debasement of the Coins, Parliament called in the advice of certain merchants, goldsmiths, and moneyers, who were charged to devise means to prevent the exportation of good money and the importation of base money. On their advice a Statute respecting Silver Coin was passed, but as they had not discovered the great secret of the question, it was wholly ineffectual

In 1344 it was resolved to coin Gold money, and thus Bimetalism was established in this country, and for 470 years the futile attempt was made to keep gold and silver coins in unlimited quantities in circulation together at a fixed legal ratio

There is no use in giving further details of this hopeless struggle. It may be supposed that it is only in recent times that Parliament has been pestered with these wearisome Currency debates. But this is very far from being so. For five centuries they were constantly recurring

Henry VIII. was the first not only to diminish the weight of the Coin, but to debase their purity, which gave rise to great public distress and repeated complaints

In the reign of Edward VI. the Coinage was still further degraded and debased. That straightforward preacher, Latimer, vehemently denounced these abominable practices, which gave his enemies excuse to charge him with disloyalty, which he ingeniously turned off by showing that the prophet Isaiah had done exactly the same thing, and had denounced the bad silver of Jerusalem. He said—"I chaunced in my last sermon to speake a mery word of the new shillyng (to refresh my auditorie), how I was lyke to put away my new shillyng for an olde groat. I was herein noted to speak seditiously. Yet I can comfort myself in one thing, that I am not alone, and that I have a fellow—a companion of sedition—and wot ye who is my fellow? Esay the prophet. I speak but of a little preaty shillyng, but he speaketh to Hierusalem after another sort, and was so bolde as to meddle

with their coine. Thou proud, thou couetous, thou hautie citie of Hierusalem! *Argentum tuum versum est in scoriam.* Thy silver is turned into what?—into testoons? *Scoriam*, into dross. Ah! seditious wretch, what had he to do with the minte? Why should he not have left that matter to some master of policie to reprove? Thy silver is drosse, it is not fine, it is counterfeite: thy silver is turned, thou haddest good silver. What pertained that to Esay? Mary he espied a piece of divinitie in that polycie, he threateneth them with God's vengeance for it. . . . He imputeth it to them as a great crime. He may be called a master of sedition indeede. Was not this a seditious harlot to tell them this to their beardes? to their face?"

At last the public confusion was so intolerable that the Council of Edward VI. saw that it was indispensable to bring the coin back to its old standard. The measures for the complete restoration of the Coinage were nearly completed when the sickly boy died. Mary on her accession in 1553 found the reformation of the coin nearly completed, and resolved to take advantage of the popularity attending it, at the same time intending to debase it by her Mint indentures. During this short reign the usual proclamations were issued against importing counterfeit and base coin from abroad, and exporting good coin: and the usual complaints were made that persons, both native and foreign, bought up the gold coin at higher rates than the legal one, and melted them down and exported them

During all this long period good coin had been constantly issued from the Mint, but no measures had been taken to demonetise and withdraw from circulation the clipped, degraded, and debased coin, as Copernicus pointed out was indispensable to be done. But the statesmen and financiers of the day were utterly perplexed at the extraordinary disappearance of the good coin. They seemed to think that the people were inspired by the Evil One to prefer the degraded and base coin, and to reject the good coin. They had no Oresme or Copernicus to explain to them that it was an assured law of nature that bad coin always drives good coin out of circulation

No sooner had Elizabeth acceded to the throne than she turned her attention to complete the great reform of the Coinage

begun by her brother, being moved thereto by the illustrious Gresham, who for the first time in this country pointed out to her that good and bad coin cannot circulate together. The *fact* was only too familiar by the experience of centuries, but no one in this country had previously discerned the necessary relation between these facts before Gresham. He addressed a letter to the Queen, explaining that the debasement of the Coin by Henry VIII. was the *Cause* of the disappearance of all the good Coin. Thus, for the first time in this country, he showed that the two facts were necessarily related as Cause and Effect. In 1858 we suggested[1] that this great fundamental Law of the Coinage should be known by the name of Gresham's Law, and this has now been universally adopted. But at that time we were not aware that this great Law had been demonstrated by Oresme 162 years, and by Copernicus 32 years previously, as their treatises were not published for popular circulation till 1864. Nor is there any reason to suppose that Gresham had any knowledge of these treatises, as they were merely memorials drawn up for the information of their respective sovereigns, and did not get into general circulation. These three illustrious men were, therefore, independent discoverers, and therefore the Law ought to be named the Law of Oresme, Copernicus, and Gresham

In 1696 this Law had become common knowledge. In a pamphlet of that year it is stated thus[2]—

"*When two sorts of Coin are current in the same nation of like value by denomination but not intrinsically* [*i.e.*, in market value] *that which has the least value will be current, and the other as much as possible will be hoarded*," or melted down, or exported, we may add

This great fundamental Law of the Coinage is found to be universally true in all ages and countries, and was henceforth recognised and acknowledged in all subsequent discussions on the Coinage

[1] *Elements of Political Economy*, p. 477

[2] *A Reply to the Defence of the Bank, setting forth the unreasonableness of their slow payments.* London, 1696

It applies in the following cases—

1. If the Coinage consists only of a single metal, as in the early Coinage of England, and clipped, degraded and debased Coins are allowed to circulate with good Coin, all the good Coin disappears from circulation. It is either hoarded, or melted down, or it is exported: all laws are ineffectual to prevent this: and the clipped, degraded, and debased Coin alone remains current

2. If Coins of two kinds of metal, such as Gold and Silver, are allowed to circulate together in unlimited quantities, and if a legal ratio is attempted to be enforced between them which differs from their natural value in the market of the world, the Coin which is overrated disappears from circulation: it is either hoarded, or melted down, or exported: and the Coin which is overrated alone remains current

3. And, as a necessary corollary, it follows that it is impossible to establish and maintain a fixed Par of Exchange between countries which use different metals as their Standard Coin

This Law is not confined to single and separate countries: it is not limited in Time or Space: it is absolutely universal: and it is equally impossible for the whole world to maintain Coins of two or more metals in circulation, in unlimited quantities, at a fixed legal ratio, which differs from the natural or market value of the metals, as it is for single and separate countries to do so

The explanation of this problem, which was such an inscrutable mystery to statesmen and financiers for so many ages, is extremely simple. If shillings are allowed to circulate together, some of which are worth twelvepence and others only ninepence, and every one is allowed to pay their debts in whichever of the coins they please, naturally they will pay their debts with the shillings worth ninepence, and keep the shillings worth twelve-pence in their pockets: or if the shillings worth twelve-pence have no more value than the shillings worth ninepence, bullion dealers will collect all they can, and either melt them down into bullion, in which form they have more value, or export them to foreign markets, where they have their full value. It is exactly the same in all other cases where persons are allowed to pay their

debts in things which have nominally the same value, but in reality have different values. When persons are allowed to pay their rents in kind, they naturally select the worst portions of the produce to pay to their landlords, and keep the best portions for themselves. If persons received an order for so many yards of cloth, and the law allowed two different yard measures to be used, one of three feet and the other of two feet, merchants would naturally fulfil the orders in yards of two feet rather than in yards of three. It is only natural that all persons should pay their debts in the cheapest form to themselves. So if the law allows debtors to pay their debts equally in Coins of different metals, which are rated equally in law, but whose value differs in the markets of the world, they will naturally pay their debts in the Coin which is rated too highly, and keep the Coins which are rated too low at home. Thus inevitably the Coin which is rated below its natural or market value disappears from circulation, and the one which is rated beyond its natural or market value alone remains current. And this is true whether the whole world does so, or only single and separate countries. If then the whole world were to agree to rate a Coin below its market value it would entirely disappear from circulation : for the whole world can no more by universal agreement make 9 equal to 12 than any separate country can

For the very same reason it is impossible to maintain a fixed rate of Exchange between countries which use different metals as their standard Coins, because Coins are only received in foreign countries according to the market value of the quantity of bullion they contain, and as the value of the metals is constantly changing in the market, the value of the Coins must equally do so too

We need not give further details of the Coinage after this date. It continued to be subject to the same disturbances from the same erroneous principles upon which it was issued. And the same futile proclamations, threatening terrible penalties against exporting good coin, which was attempted to be maintained at a fixed legal ratio below its market value, continued to be issued during successive reigns

In 1663 the first Coinage of guineas made from gold imported

by the African Company took place. By the Mint indenture they were to be struck to be of the value of 20*s.* at the market rate of gold and silver at the time. But they were never made legal tender at that rate. They consequently circulated at the rate which people chose to place on them, and they soon rose above their rated value. Accordingly the old practices of clipping, melting, and exporting the silver coin were soon in operation, and the scarcity of money was complained of in Parliament. All these bad practices flourished during the short reign of James II.

In April, 1690, the goldsmiths complained to the House of Commons that they had ascertained that immense quantities of silver bullion had been exported. That many Jews and merchants had recently bought up vast quantities of silver to carry out of the kingdom, and had given three halfpence an ounce for it above its regulated value : that this had encouraged the melting down of much plate and milled money, whereby for six months no bullion had been brought to the Mint to be coined. A Committee of the House verified these allegations. It was shown that the profit of melting down the milled money for exportation was above £25 per £1,000, and that while the Mint price of silver was 5*s.* 2*d.* per ounce, the current price was 5*s.* 3½*d.*

In 1691 a posthumous work by Sir William Petty was published, in which, as far as we are aware, is the first announcement of the principle that the standard coin should be made of one metal only. He says[1] that Money is understood to be the uniform measure of the value of all commodities: that the proportion of value between pure Gold and fine Silver alters, as the earth and industry of men produce more of one than the other. That Gold has been worth but twelve times its own weight of silver, but that of late it has been worth fourteen : *"so there can be but one of the two metals of Gold and Silver to be a fit matter for Money"*

This is, as far as we are aware, the first enunciation of the great principle, that only one metal should be adopted for the standard Coin and measure of value. Nor are we aware of what amount of attention it received when it was announced

[1] *Political Anatomy of Ireland*, ch. 10

Lowndes *on* Money

The evils produced by this flagrant state of the Coinage could no longer be neglected. The Treasury ordered their Secretary, Mr. William Lowndes, to make a report on the subject. In this Report[1] he gives a long and valuable history of the Coinage and its successive debasements in weight and fineness. After giving details of every Mint indenture for 400 years, he says—" By the careful observing of which deduction here made from the indentures of the Mint for above 400 years past, it doth evidently appear that it has been a policy constantly practised in the Mints of England (the like indeed having been done in all foreign Mints belonging to other Governments), to raise the value of the Coin in its extrinsic denomination from time to time as any exigence or occasion required : and more especially to encourage the bringing in of bullion into the realm to be coined (though sometimes when the desired end was obtained the value has been suffered to fall again), so that in the whole number of years, from the 28th Edward I. until this time, the extrinsic value or denomination of the silver is raised in about a triple proportion "

Mr. Lowndes appears here to be utterly insensible to the fact that each one of these debasements was a gross and shameful fraud. We cannot fail to observe also that Mr. Lowndes labors under the confusion of idea that raising the *Name* of the Coin is raising its *Value*. The extrinsic value of the Coin can by no possibility mean anything else than the quantity of things it will exchange for or purchase. And to call the quantity of things it will exchange for its *denomination* is a most pitiable confusion of idea.

Mr. Lowndes then says—" The which being premised, and every project for debasing the money being rejected as dangerous, dishonorable and needless [he fails to see that diminishing the weight of the coin is debasing it], it remains that our nation in its present exigence may avail itself by raising the value of its Coins, and this may be effected, either by making the respective pieces called crowns, half-crowns, shillings, to be lesser in weight, or by continuing the same weight, or bigness, which is at present

[1] *A Report containing an Essay for the Amendment of the Silver Coins*, London, 1695

in the unclipped moneys, and ordaining at the same time that every such piece shall be current at a higher price in tale

"But before I proceed to give my opinion on this subject, it seems necessary for me to assert and prove an hypothesis, which is this, namely: That making the pieces less, or ordaining the respective pieces (of the present weight) to be current at a higher rate may equally raise the value of silver in our Coins"

Mr. Lowndes then enters into an argument to prove that 60 pence may be made equal to 75 pence—a wild goose chase in which we decline to follow him

He proposed then that all the existing unclipped silver money should be raised to 6*s*. 3*d*. the crown, and other Coins in proportion, so that the shilling should pass for fifteen pence instead of twelve. That new Coins should be struck at the increased denominations and receive new names. The reasons he alleges for this are—"The value of the Silver in Coin ought to be raised to the foot of 6*s*. 3*d*. in every crown, because the price of standard silver in bullion is risen (from divers necessary and unnecessary causes, producing at length a great scarcity thereof in England) to 6*s*. 5*d*. an ounce. This reason (which I humbly conceive will appear irrefragable) is grounded chiefly upon a truth so apparent that it may well be compared to an axiom even in mathematical reasoning, to wit—That whensoever the extrinsic value of silver in the Coin hath been, or shall be, less than the price of silver in bullion, the Coin hath been, and will be melted down"

In this passage Mr. Lowndes fails to see that the reason why Silver had nominally risen from 5*s*. 2*d*. to 6*s*. 5*d*. an ounce was simply that the Coins were so degraded that 6*s*. 5*d*. only contained as much fine silver as 5*s*. 2*d*. ought to have done

Moreover, he again falls into the confusion of supposing that raising the *Name* of the Coin raises its *Value*. Why did he not carry his proposal a little further and propose that 1*s*. should pass for the value of 20*s*.? He totally failed to see that when persons exchange their goods for silver Coin, they do so to obtain a certain amount of fine silver bullion, and that it is perfectly indifferent to them what numbers of pieces of money it is contained in. These are precisely the ideas which our Bimetalists of the present day are afflicted with: and there is no use in detailing more of his maunderings

Locke *on* Money

The proposal of Lowndes, coming from a person holding his official position, demanded an immediate notice and exposure. Locke performed the task in a manner worthy of his genius, which has remained unassailable ever since. He says[1]—"Raising of coin is but a specious word to deceive the unwary. It only gives the usual denomination of a greater quantity of silver to a less (*v.g.*, calling four grains of silver a penny to-day, when five grains of silver made a penny yesterday), but adds no worth, or real value, to the silver coin to make amends for its want of silver. That is impossible to be done, for it is only the quantity of silver in it that is, and eternally will be, the measure of its value: and to convince any one of this, I ask whether he that is forced to receive but 320 ounces of silver, under the denomination of £100 (for 400 ounces of silver, which he lent under the like denomination of £100), will think these 320 ounces of silver, however denominated, worth those 400 ounces he lent? If any one can be supposed so silly, he need but go to the next market, or shop, to be convinced that men value not money by the denomination, but by the quantity of silver there is in it. One may as rationally hope to lengthen a foot, by dividing it into 15 parts instead of twelve, and calling them inches, as to increase the value of the silver there is in a shilling, by dividing it into 15 parts instead of twelve, and calling them pence

"Clipping of money is raising, without public authority, the same denomination remaining to the piece, that hath now less silver in it than it had before

"Altering the standard by coining pieces under the same denomination with less silver in them than they formerly had, is doing the same thing by public authority. The only odds is, that by clipping the loss is not forced on any one (for nobody is obliged to receive clipped money): by altering the standard it is

"Altering the standard by raising the money will not get to the public, or bring to the Mint to be coined, one ounce of silver: but will defraud the king, the church, the universities and

[1] *Further considerations concerning raising the Value of Money.* Works, Vol. IV.

hospitals, and of so much of their settled revenue as the money is raised, *v.g.*, twenty per cent. if the money (as is proposed), be raised one-fifth. It will weaken, if not totally destroy, the public faith, when all that have trusted the public, and assisted our present necessities, when Acts of Parliament in the million lottery, bank act, and other loans shall be defrauded of twenty per cent. of what these Acts were security for. And to conclude, this raising our money will defraud all private men of twenty per cent. in all their debts and settled revenues . . . . .

"Nothing, I humbly conceive, can put a stop to clipping, now it is grown so universal, and men become so skilful in it, but making it unprofitable

"Nothing can make clipping unprofitable, but making all light money go only for its weight. This stops clipping in a moment, brings out all the milled and weighty money, deprives us not of any part of our clipped money for the use of trade, and brings it orderly, and by degrees, and without force, into the Mint to be recoined "

Locke then enters into some details of the operations by Bills of Exchange. At that period Silver was the standard coin of England and throughout the world. All Bills were, therefore, settled in silver

"I have spoken of Silver Coin alone, because that makes the money of account and measure of trade all through the world. For all contracts are, I think, everywhere made, and accounts kept, in silver coin

"Silver, therefore, and silver alone, is the measure of commerce. Two metals, as Gold and Silver, cannot be the measure of commerce both together in any country : because the measure of commerce must be perpetually the same, invariable, and keeping the same proportion of value in all its parts. But so only one metal does, or can do to itself : so silver is to silver, and gold to gold. An ounce of silver is always of equal value to an ounce of silver, and an ounce of gold to an ounce of gold : and two ounces of the one or the other of double the value to an ounce of the same. But gold and silver change their value to one another : for suppose them to be in value as sixteen to one now : perhaps the next month they may be as fifteen and three quarters or

fifteen and seven-eights to one. And one may as well make a measure, *v.g.*, a yard, whose parts lengthen and shrink, as a measure of trade of materials that have not always a settled invariable value to one another

"One metal, therefore, alone can be the money of account and contract, and the measure of commerce in any country. The fittest for this use of all other is silver, for many reasons which need not here be mentioned. It is enough that the world has agreed in it, and made it their common money: and as the Indians rightly call it, measure. All other metals, gold, as well as lead, are but commodities

"Commodities are moveables valuable by money, the common measure

"Gold, though not the money of the world and the measure of commerce, nor fit to be so, yet may and ought to be coined to ascertain its weight and fineness: and such coin may safely have a price as well as a stamp set upon it by public authority, so the value be set under the market price. For then such pieces coined will be a commodity as passable as silver money, very little varying in their price: as guineas which were coined at the value of 20*s.*, but passed usually for between 21*s.* and 22*s.*, according to the current rate. But not having so high a value put on them by the law, nobody could be forced to take them to their loss at 21*s.* 6*d.*, if the price of gold should happen at any time to be cheaper

"From what has been said I think it appears—

"1. That silver is that which mankind have agreed upon to take and give in exchange for all commodities as an equivalent

"2. That it is by the quantity of silver they give, or take, or contract for, that they estimate the value of other things, and satisfy for them: and thus by its quantity, silver becomes the measure of commerce

"3. Hence it necessarily follows that a greater quantity of silver has a greater value: a less quantity of silver has a less value: and an equal quantity an equal value

"4. That money differs from uncoined silver only in this, that the quantity of silver in each piece of money is ascertained by the stamp it bears: which is set there to be a public voucher of its weight and fineness

"5. That gold is treasure as well as silver, because it decays not in keeping, and never sinks much in value

"6. That gold is fit to be coined as well as silver: to ascertain its quantity to those who have a mind to traffic in it: but not to be joined with silver as a measnre of commerce"

Locke then examines Lowndes's doctrine, that the value (or denomination) of the silver coin should be raised to 6*s.* 3*d.* the ounce because the price of standard silver had risen to 6*s.* 5*d.* the ounce

"This reason seems to me to labor under several mistakes, as—

"1. That standard silver can rise in respect of itself

"2. That standard bullion is now, or ever was, worth, or sold to the traders in it, for 6*s.* 5*d.* the ounce of lawful money of England. For if that matter of fact holds not to be so, that an ounce of sterling bullion is worth 6*s.* 5*d.* of our milled weighty money, this reason ceases: and our weighty crown pieces ought not to be raised to 6*s.* 3*d.*, because our light clipped money will not purchase 6*s.* 5*d.* of that light money. And let me add here, nor for that rate either. If, therefore, the author means here that an ounce of standard silver is risen to 6*s.* 5*d.* of our clipped money, I grant it him, and higher too. But then that has nothing to do with the raising our lawful coin, which remains unclipped, unless he will say too that standard bullion is so risen as to be worth, and actually to sell for, 6*s.* 5*d.* the ounce of our weighty milled money. This I not only deny, but further add that it is impossible to be so. For 6*s.* 5*d.* of milled money weighs an ounce and a quarter near. Can it, therefore, be possible that one ounce of any commodity should be worth an ounce and a quarter of the same commodity, and exactly of the same goodness? for so is standard silver to standard silver. Indeed one has a mark upon it, which the other has not: but it is a mark that makes it rather more than less valuable, or if the mark, by hindering its exportation, makes it less valuable, the melting pot can easily take it off

"The complaint made of melting down our weighty money answers this reason evidently. For can it be supposed that a goldsmith will give one ounce and a quarter of coined silver for

one ounce of bullion : when by putting it into his melting pot he can, for less than a penny charge, make it bullion? For it is always to be remembered, what I think is made clear, that the value of silver, considered as it is money and the measure of commerce, is nothing but its quantity, and thus a milled shilling, which has double the weight of silver in it to a current shilling, whereof half the silver is clipped away, has double the value. And to show that this is so, I will undertake that any merchant who has bullion to sell, shall sell it for a great deal less number of shillings in tale, to any one who will contract to pay him in milled money, than if he be paid in the current clipped money

"Those who say bullion is risen, I desire to tell me what they mean by risen. Any commodity, I think, is properly said to be risen, when the same quantity will exchange for a greater quantity of another thing: but more particularly of that thing which is the measure of commerce in the country. And thus corn is said to be risen among the English in Virginia when a bushel of it will sell, or exchange, for more pounds of tobacco : among the Indians when it will sell for more yards of wampampeak, which is their money: and among the English here, when it will exchange for a greater quantity of silver than it would before. Rising and falling of commodities are always between several commodities of distinct worths. But nobody can say that tobacco of the same goodness is risen in respect of itself. One pound of the same goodness will never exchange for a pound and a quarter of the same goodness. And so it is in silver: an ounce of silver will always be of equal value to an ounce of silver : nor can it ever rise or fall in respect of itself: an ounce of standard silver can never be worth an ounce and a quarter of standard silver : nor one ounce of uncoined silver exchange for an ounce and a quarter of coined silver : the stamp cannot so much debase its value. Indeed the stamp, hindering its free exportation, may make the goldsmith who profits by the return of his money give one 120th, or one 60th, or perhaps sometimes one-thirtieth more, that is 5*s.* $2\frac{1}{2}$*d.*, 5*s.* 3*d.*, or 5*s.* 4*d.* the ounce of coined silver for uncoined, when there is need of sending silver beyond seas : as there always is, when the balance of trade will not supply our wants and pay our debts there. But much beyond this the

goldsmith will never give for bullion, since he can make it out of coined money at a cheaper rate

"It is said bullion is risen to 6*s.* 5*d.* the ounce, *i.e.*, that an ounce of uncoined silver will exchange for an ounce and a quarter of coined silver. If any one can believe this, I will put this short case to him. He has of bullion, or standard uncoined silver, two round plates each of an exact size and weight of a crown piece, he has besides of the same bullion a round plate of the weight and size of a shilling, and another yet less of an exact weight and size of a threepence. The two great plates being of equal weight and fineness, I suppose he will allow to be of equal value, and that the two less joined to either of them make it one-fifth more worth than the other is by itself, they having all three together one-fifth more silver in them. Let us suppose then one of the greater and the two less plates to have received the next moment (by miracle, or by the mill, it matters not how) the mark or stamp of our crown, our shilling, and our threepence: can anybody say that now they have got the stamp of our Mint upon them they are so fallen in value, or the other unstamped piece so risen, that that unstamped piece which a moment before was only worth one of the other pieces, is now worth them all three? Which is to say that an ounce of uncoined Silver is worth an ounce and a quarter of coined. That is what men would persuade us when they say that bullion is raised to 6*s.* 5*d.* of lawful money the ounce, which I say is utterly impossible. Let us consider this a little further in another instance. The present milled crown pieces, say they, will not exchange for an ounce of bullion, without the addition of a shilling and a threepence of weighty coin added to it. Coin but that crown piece into 6*s.* 3*d.*, and then they say it will buy an ounce of bullion, or else they give up their reason and measure of raising the money. Do that which is allowed to be equivalent to coining of a present milled crown piece into 6*s.* 3*d.*, viz.: call it 75 pence, and then also it must by this rule of raising, buy an ounce of bullion. If this be so, this self-same milled crown piece will, and will not, exchange for an ounce of bullion. Call it sixty pence, and it will not: the very next moment call it seventy-five-pence, and it will. I am afraid nobody can think change of denomination has such power"

Locke then goes through each of Lowndes's arguments and proposals one by one, and gives them such a refutation as would have delighted the heart of Chillingworth. Among other things he says—"It is true what Mr. Lowndes observes here, the importation of gold, and the going of guineas at 30*s.* has been a great prejudice and loss to the kingdom. But that has been wholly owing to our clipped money, and not at all to our money being coined at 5*s.* 2*d.* the ounce: nor is the coining of our money lighter the cure of it. The only remedy for that mischief, as well as a great many others, is the putting an end to the passing of clipped money by tale, as if it were lawful coin"

To Lowndes's doctrine, that raising the coin by making it more in tale would make it more abundant for general use, Locke says—

"Just as the boy cut his leather into five quarters, as he called them, to cover his ball, when cut into four quarters it fell short: but after all his pains, as much of his ball lay bare as before: if the quantity of coined silver employed in England fall short the arbitrary denomination of a greater number of pence given to it, or which is all one, to the several coined pieces of it, will not make it commensurate to the size of our trade or the greatness of our occasions. This is as certain as if the quantity of a board which is to stop a leak fifteen inches square, be but twelve inches square, it will not be made to do it by being measured by a foot which is divided into fifteen inches instead of twelve, and so having a larger tale, or number of inches in denomination, given to it

"This, indeed, would be a convincing reason if sounds would give weight to silver, and the noise of a greater number of pence (less in quantity proportionably as they are more in number) were a larger supply of money . . .

"The necessity of trust and bartering is one of the many inconveniences springing from the want of money. This inconvenience, the multiplying arbitrary denominations, will no more supply, nor any ways make our scarcity of coin commensurate to the need there is of it, than if the cloth which was provided for clothing the army falling short, one should hope to make it commensurate to that need there is of it, by measuring it by a yard

one-fifth shorter than the standard, or changing the standard of the yard, and so getting the full denomination of yards, necessary according to the present measure. For this is all that will be done by raising our coin as is proposed. All that it amounts to is no more but this, viz., That each piece, and consequently our whole stock of money, should be measured and denominated by a penny one-fifth less than the standard

"The increase of denomination does or can do nothing in the case, for it is silver by its quantity and not denomination, that is the price of things and measure of commerce : and it is the weight of silver in it, and not the name of the pieces, that men estimate commodities by, and exchange them for

"If this be not so, when the necessity of our affairs abroad, or ill husbandry at home, has carried away half our treasure, and a moiety of our money is gone out of England : it is but to issue a proclamation that a penny shall go for twopence, sixpence for a shilling, half-a-crown for a crown, &c., and immediately, without any more ado, we are as rich as before. And when half the remainder is gone, it is but doing the same thing again, and raising the denomination anew, and we are where we were, and so on : whereby supposing the denomination raised 15-16, every man will be as rich with an ounce of silver in his purse, as he was before when he had 16 ounces there, and in as great plenty of money, able to carry on his trade without bartering : his silver, by this short way of raising, being changed into the value of gold : for when silver will buy 16 times as much wine, oil, and bread, &c., to-day as it would yesterday, (all other things remaining the same but the denomination) it hath the real worth of gold

"This, I guess, everybody sees cannot be so, and yet this must be so, if it be true that raising the denomination one-fifth can supply the want, or one jot raise the value of silver in respect of other commodities, *i.e.*, make a less quantity of corn, oil, and cloth, and all other commodities than it would yesterday, and thereby remove the necessity of bartering. For if raising the denomination can thus raise the value of coin in exchange for other commodities, one-fifth, by the same reason it can raise it two-fifths, and afterwards three-fifths, and as much further as you please. So that by this admirable contrivance of raising our

coin we shall be rich, and as well able to support the charge of the Government, and carry on our trade without bartering, or any other inconvenience for want of money, with 60,000 ounces of coined silver in England, as if we had six or sixty millions. If this be not so, I desire any one to show me why the same way of raising the denomination, which can raise the value of money in respect of other commodities, one-fifth, cannot when you please raise it another fifth, and so on ? I beg to be told where it must stop, and why at such a degree without being able to go further

"It must be here taken notice of, that the raising I speak of here is the raising of the value of our coin in respect of other commodities (as I call it all along), in contradistinction to raising the denomination. The confounding of these in discourses concerning money is one great cause, I suspect, that this matter is so little understood, and so often talked about with so little information of the hearers

"A penny is a denomination no more belonging to eight than to eighty, or to one single grain of silver : and so it is necessary that there should be sixty such pence, no more nor less, in an ounce of silver, *i.e.*, twelve in a piece called a shilling, and sixty in a piece called a crown : such-like divisions being only extrinsical denominations are everywhere perfectly arbitrary. For here in England there might as well have been twelve shillings in a penny, as twelve pence in a shilling, *i.e.*, the denomination of the less pence might have been a shilling and of the bigger a penny. Again, the shilling might have been coined ten times as big as the penny, and the crown ten times as big as the shilling : whereby the shilling would have but tenpence in it, and the crown one hundred. But this, however ordered, alters not one jot the value of the ounce of silver in respect of other things, any more than it does its weight. This raising being but giving of names at pleasure to aliquot parts of any piece, viz.: that now the 60th part of an ounce of silver shall be called a penny, and to-morrow that the 75th part of an ounce shall be called a penny, may be done with what increase you please. And thus it may be ordered by a proclamation that a shilling shall go for twenty-four pence, and a half-crown for sixty instead of thirty pence, and so of the rest. But that a half-crown should be worth, or contain sixty of

such pence, as the pence were before the change of denomination was made, that no power on earth could do. Nor can any power but that which can make the plenty or scarcity of commodities, raise the value of our money their double in respect of other commodities, and make that the same piece or quantity of silver, under a double denomination, shall purchase double the quantity of pepper, wine, or lead, an instant after such a proclamation to what it would do an instant before. If this could be, we might, as everyone sees, raise silver to the value of gold, and make ourselves as rich as we pleased. But it is but going to market with an ounce of silver of one hundred and twenty pence to be convinced that it will purchase no more than an ounce of sixty pence: and the ringing of the piece will as soon purchase more commodities as its change of denomination, and the multiplied name of pence, when it is called six score instead of sixty"

It may, perhaps, appear to some that the arguments put forward by Locke are so simple and convincing that it is almost a waste of ingenuity and labor to dwell upon them at such length. But, unfortunately, it is not so. The confusion of idea between the **Name** and the **Value** of a Coin is one which is but too prevalent at the present day. It seems almost incredible that an able man like Mr. Lowndes could perceive that debasing the standard of the Coin and putting less silver and more alloy was a public fraud and an injury to all creditors, and yet that he should be totally incapable of perceiving that raising the denomination of the coin was exactly the same thing as debasing the standard. In each case the quantity of fine silver in a crown or a shilling was diminished. Nevertheless, this fallacy is deeply seated at the present day, and is exactly the one which possesses the Bimetalists

Parliament met in November, 1695, and in the speech from the throne the King called the attention of the House to the bad state of the Coin, and requested them to devise a remedy. The House lost no time in taking the subject into consideration. The motion of recoinage was carried by a majority of sixty. The next question was whether the several denominations of the new money should have the same weight and fineness as the old? or whether

the standard should be raised? This question produced many debates. The opposition adopted Lowndes's ideas that the price of an ounce of silver had risen to 6*s.* 3*d.*, and therefore that the standard should be raised accordingly. The Government adopted the arguments so admirably set forth by Locke, and moved—"*That the House would not depart from the ancient standard either in* **Weight**, **Fineness**, *or* **Denomination**." This resolution was carried by 224 to 114

The House thus adopted part of Locke's doctrines. But unfortunately they did not adopt his other two recommendations. Lord Somers proposed in the Council that a proclamation should be issued to make money current by weight and not by tale. The King was also of this opinion, but the rest of the Council were unanimously against it: by refusing to adopt Locke's advice on this point the Council cost the nation above a million: because when the people saw that the clipped money would still be received by tale, the clipping went on worse than ever

Neither had the House the boldness to adopt the doctrine of Petty and Locke, that a single metal should be selected for the standard coin, and perhaps it was fortunate that they did not, because if they had, the metal selected would undoubtedly have been Silver, and then we might have been troubled to this day with a huge silver currency of crown pieces, as the French are with their five-franc pieces

The great recoinage then was effected: but as soon as the new Coin was issued from the Mint, it was hoarded, or exported to purchase gold which at this time was very profitable. The House then began a most useless and ineffectual meddling with the price of guineas. As long as the silver coinage continued in its debased state no human power could lower the price of guineas; as soon as the silver coin was reformed no human power could prevent them from falling. Montague on this occasion deserted the lessons of his great master, Locke. If an Act of Parliament could alter the price of guineas—where was the use of the recoinage? If the recoinage would effect the purpose—where was the use of the Act of Parliament? On the 15th of February, 1696, it was resolved that guineas should not pass for more than 28*s.*: on the 28th, it was resolved that after the 25th of March they should be

reduced to 26*s*. On the 26th of March it was resolved that after the 10th of April they should be reduced to 22*s*., and heavy penalties were enacted against all persons who should deal in them at higher rates after that date. But still the gold and silver Coin were wrongly rated : all the best and heaviest silver coins were culled out and exported to Holland, where gold might be purchased at a great profit

In 1707 the Union of the Kingdoms necessitated a new coinage. But the same disturbances immediately reappeared. The new silver coins immediately disappeared, and men's ideas began to be transferred to gold as the standard coin. In 1708 the Government offered a premium of 2½*d*. an ounce to every one who brought foreign silver coin, or plate of any sort of standard fineness to the Mint to be coined. At last the Government in utter perplexity, and seemingly being the very last to be informed of the truth, which had now become common knowledge to every one of intelligence, that coins of two metals cannot circulate together in unlimited quantities, referred the whole matter to Sir Isaac Newton, the Master of the Mint

Sir Isaac Newton *on the* Coinage

Sir Isaac Newton said in his Report[1]—

"That a pound weight Troy of Gold, 11 ozs. fine, and 1 oz. alloy, is cut into 44½ guineas : and a pound weight of silver 11 ozs. and 2 dwts. fine and 5 dwts alloy, is cut into 62 shillings: and according to this rate a pound weight of fine gold is worth 15 pounds weight, 6 ozs. 17 dwts. and 5 grs. of fine silver, reckoning a guinea at £1 1*s*. 6*d*. in silver money. But silver in bullion exportable is usually worth 2*d*. or 3*d*. per ounce more than in coin : and if as a medium such bullion of standard alloy be valued at 5*s*. 4½*d*. per ounce, a pound weight of fine gold will be worth but 14 lbs. 11 ozs. 12 dwts. 9 grs. of fine silver in bullion : and at this rate a guinea is worth but so much silver as would make 20*s*. 8*d*."

Newton then details the Mint rating of Gold and Silver in various countries. In Spain and Portugal the ratio of Gold to

[1] *Parliamentary History*, Vol. VII., 526

Silver was 16 to 1. This high price kept the gold in these countries, and carried away their silver to all Europe. So that all payments at home are made in gold, and silver usually bears a premium of 6 per cent.

In France the ratio of Gold to Silver was 15 to 1

In Holland, Hungary, and the Empire, a guinea would be worth 20*s.* 7½*d.* at their Mint rating

According to the rates of gold and silver in Italy, Germany, Poland, Denmark and Sweden, the guinea was worth 20*s.* and 7*d.*, 6*d.*, 5*d.*, or 4*d.* In Sweden it is lower in proportion to silver than in any other country, hence silver prevailed there

In China and Japan the ratio of gold to silver was only 9 or 10 to 1, and in the East Indies 12 to 1 : this low price of gold in those countries carried away the silver from all Europe

By the course of trade and exchange between nation and nation in all Europe gold was to silver as $14\frac{4}{5}$ or 15 to 1 : and at that rate a guinea was worth 20*s.* 5*d.* to 20*s.* 8½*d.* And experience and reasoning showed that silver flows from those places where it was lowest in proportion to gold as from Spain [and England] to all Europe, and from all Europe to the East Indies, China and Japan: and that Gold is most plentiful in those places in which its value is highest in proportion to silver, as in Spain and England

"It was the demand for exportation which had raised the price of exportable silver about 2*d.* or 3*d.* in the ounce above that of silver in coin, and had thereby created a temptation to export or melt down the silver coin rather than give 2*d.* or 3*d.* more for foreign silver: and the demand for exportation arises from the higher price of silver in other places in proportion to silver, and therefore may be diminished by lowering the value of gold in proportion to silver. If gold in England, or silver in East India, could be brought down so low as to bear the same proportion to one another in both places, there would be here no greater demand for silver than for gold to be exported to India. And if gold were lowered only so as to have the same proportion to the silver money in England, which it hath to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any other part of Europe. And to compass

this last there seems nothing more requisite than to take off about 10*d.* or 12*d.* from the guinea : so that gold may bear the same proportion to the silver money in England which it ought to do by the course of trade and exchange in Europe. But if only 6*d.* were taken off at present, it would diminish the temptation to export, or melt down the silver coin. And by the effects, would show hereafter better that can appear at present, what further reduction would be most convenient for the public "

In pursuance of Newton's recommendation, a proclamation was issued in December, 1717, reducing the guinea to 21*s.*, and then in the language of the Mint the price of gold was fixed at £3 17*s.* $10\frac{1}{2}$*d.* the ounce, which is so sore a puzzle to many people. This alteration in the value of guineas created some alarm, but in January, 1718, both Houses of Parliament passed resolutions that they would not alter the standard of the gold and silver coins of the realm in fineness, weight, or denomination

We see that Newton gave no countenance to the doctrine of the modern Bimetalists, that fixing the ratio of the Coin by Law can regulate the relative value of gold and silver bullion. On the contrary, he shows that the Coins must follow the market value of bullion. No doubt the change he proposed in the rating of the Coins might have succeeded for a short time : but it would always have been a position of unstable equilibrium, liable to be upset by the first change in the market value of the metals, which was sure to occur in no very long time. But it did not come within his instructions to enter into such matters

By the reduction in the price of the guinea the value of gold to silver was fixed at $15\frac{14295}{68200}$ to 1 : but as in Holland and France the rate was $14\frac{1}{2}$ to 1, a profit still remained of 4*d.* on each guinea on exporting silver and importing gold. By the Act of 1717 the guinea was for the first time made legal tender at 21*s.*, and as it was the cheaper medium in which to make payments, during the course of the last century it became an understood and recognised custom of commerce that gold was the standard coin in which all Bills of Exchange and debts were payable. Hence this country has been practically a Gold Monometallic country since 1717, although Bimetalism still lingered on the statute book for another hundred years

The ablest writers on money had now fully adopted the doctrine of Petty and Locke, that only one metal should be adopted for the standard Coin. Harris says[1]—

"One only of these metals, that is, Gold or Silver, can be the Money, or standard measure of commerce in any country : for the standard measure must be invariable, and keep the same proportion of value in all its parts. Such is Silver with respect to Silver, and Gold to Gold. But Silver and Gold with respect to one another are like other commodities, variable in their value, according as the plenty of either may be increased or diminished : and an ounce of Gold, that is worth a given quantity of Silver to-day, may be worth more or less Silver a while hence. It is therefore impossible that both these metals can be a standard measure of the value of other things at the same time"

Lord Liverpool's Treatise *on the* Coins *of the* Realm

The Coinage continued to exhibit the same phenomena during the whole of the eighteenth century. Gold being overrated by 4*d.* in the guinea became more and more firmly established as the recognised standard coin ; all the best silver had long disappeared, and none but the most degraded remained in circulation.

In 1798, in consequence of an address from the House of Commons, the then existing Committee of Council on Coins was dissolved, and a new Committee appointed, and Lord Liverpool, who had long paid much attention to the subject, was appointed Chairman, and drew up the report in the form of a letter to the King[2]

This work of Lord Liverpool's is the great master treatise on the subject, and as its principles were adopted at the great recoinage in 1817, when our present system was instituted, we shall give a brief analysis of it

Lord Liverpool commences his treatise by giving an account of the state of the Coinage in 1760, at the accession of George III. All the Crown pieces and most of the half-crowns coined by William III. had disappeared, and those which remained in

[1] *Essay on Money and Coins*, Part I., ch. 2, sec. 7

[2] *It was reprinted by the Bank of England, and published by Effingham Wilson in* 1880

circulation were degraded and clipped. The shillings and sixpences had lost almost every mark of impression, whether of head, reverse, inscription or graining

The heavy pieces had in general been melted down, or exported, and the rest diminished by wear and filing. Very little silver had been brought to the Mint to be coined, for according to the Mint ratio the value of Silver bullion compared to gold was lower than the market price

The state of the Gold Coin, though not so bad, was still deteriorating, and it became so bad in 1773 that it had become greatly deficient in weight, so that as soon as any new Gold Coin was issued from the Mint it was immediately melted down or exported. The foreign exchanges consequently rose greatly against the country: as all payments to these countries were enhanced in proportion to the deficiency in the Coin. Mr. Jenkinson, as Lord Liverpool was then, addressed a letter to the Chancellor of the Exchequer, suggesting that all the deficient Gold Coin should be called in and recoined: that after this had been done the Gold Coin should be current by weight as well as by tale, as had been the ancient custom, and that when the Gold Coin had become deficient by a certain amount it should cease to be legal tender. These proposals were carried into effect in 1774: and since then the gold coin had been preserved in a very perfect state.

A difficulty then existed and continued to exist with respect to the Silver Coin, and until it was removed the Silver Coin could not be improved. The Mint ratio of Gold and Silver differed from their value in the market. As long as this difference existed both these metals would not be brought in sufficient quantity to the Mint to be coined: that metal only would be brought which was estimated at the lowest value with reference to the other: and Coins of both metals could not be sent into circulation at the same time without a traffic of one sort of Coin against the other, by which traders in money would make great profit, to the great loss of the public: which would especially prevail in this country, where the Mintage of both metals was perfectly free, without any charge for seignorage, which was contrary to the practice of most other countries. To prevent this

the standard Coin ought to be made of one metal only, and Coins of other metals should take their value with reference to this standard Coin, and be subservient to it. Lord Liverpool gives an account of the reasons for appointing the Committee of Council

The Money or Coin of a country is the standard measure by which the value of all things bought and sold is regulated and ascertained: and it is itself at the same time the value, or equivalent, for which goods are exchanged, and in which contracts are generally made payable. In the last respect, money, as a measure, differs from all others: and it is to the combination of these two qualities which constitute the essence of Money, that the principal difficulties which attend it in theory and practice as a measure and an equivalent are to be ascribed. These two qualities can never perfectly unite and agree: for if Money were a measure only, and made, like all other measures of a material of little or no value, it would not answer the purpose of an equivalent. And if it is made in order to answer the purpose of an equivalent, of a material of value, subject to frequent variations, according to the price at which such material sells in the market, it fails on that account in the quality of a standard or measure, and will not continue to be perfectly uniform, and at all times the same

Coins made of Gold or Silver, or of any other metal, whether considered as a measure or an equivalent, are subject to the following imperfections

As each of these metals varies in its value with respect to other commodities for which it is exchanged, so it will vary for the same reason also in its value, in successive periods, even with respect to itself: and this variation is occasioned by the greater or less quantity that may happen to be at different times in the market, or in circulation. Any given quantity or weight of Gold or Silver is at present of much less value than the same quantity or weight before the discovery of the mines of America. And if any commodity is either manufactured or produced at present in exactly the same quantity as it was in the reign of Henry VIII., when these mines were first discovered, and the demand for this

commodity should be equal, a pound of Gold or Silver will not purchase as much of it now, as it would have purchased in the former period. Coins are on that account an imperfect measure, though they are made of one metal only

But if Coins are made of two of these metals, a second imperfection is then introduced : for any two of these metals, in successive periods, vary in value with respect to each other. The value of fine Gold, compared with that of fine silver, was rated in the 43rd of Elizabeth at less than 11 to 1, at the English Mint. But when guineas were first coined in 1663, the value of fine Gold, compared with that of fine Silver, was rated at the English Mint at $14\frac{381}{682}$ to 1. Guineas were then coined as 20 Shilling pieces, and declared by the Mint Indenture to be current as such. They have since been made current by Proclamation as 21 Shilling pieces. The relative value, therefore, of fine Gold to fine Silver, in the Coins of this kingdom is now as $15\frac{2859}{13640}$ to 1. And in the Mints of several foreign countries, the value of Gold, compared with that of Silver, is rated still higher. These metals will also occasionally vary in their value, even at the same time, in different countries : and Exchange Brokers and many bankers are induced, on this account, to carry on a traffic in these metals, and in the Coins made of them, to their own profit, and to the loss of others

If the Sovereign takes upon himself to determine the rate or value at which Coins made of different metals shall at the same time pass in currency, a third imperfection is introduced into the system : for it is not possible that he should be able to pursue with sufficient accuracy the various fluctuations and changes that may in a short time happen in the relative values of these different metals. Their prices at the market will therefore frequently differ from the rate at which he has valued them in his Coins : and when Coins made of different metals are frequently legal tender, there will, of course, be two measures of property, differing occasionally from each other. A profit will always in such case be made by those who traffic in Coins, by exchanging that Coin which has the least market value for that which has the greatest. The debtor will find it his interest to make his payments in the Coin made of that metal which is undervalued at the Mint : and

such Coins as are made of the metal overvalued at the Mint will always be melted down and exported

Another imperfection arises from the gradual wear of the Coins made of either of these metals : for though the materials of which they are made are less subject to diminution by daily and common use than almost any other commodity, they are still subject to it in a greater degree by friction, and sometimes from other causes. If this diminution is considerable, the Money Jobber will avail himself of the inequality to which pieces of Coin of the same denomination are in this respect subject : he will collect and convert into Bullion the most weighty of them, and make a profit thereby : and those Coins only, which are less perfect, will be left in general circulation

Of the four imperfections before stated, the first which arises from the variation in the price, or Value, of any one metal in successive periods with respect to itself is so very inherent in the very subject that it does not admit of remedy. It produces, however, less inconvenience than either of the other three. It chiefly affects leases, contracts, and grants of long continuance [such as the Public Funds]. The other three imperfections may in some degree be remedied. Lord Liverpool then proceeds to explain the principles of the system of Coinage he recommended

The Money, or Coin, which is to be the principal measure of property ought to be made of **One** metal only. Such is the opinion of Sir William Petty, Mr. Locke, Mr. Harris, and of all the eminent writers on Coin. Petty says that *one* of the metals is the only fit matter for Money. Locke agrees, and says "that two metals such as Gold and Silver cannot be the measure of commerce both together in any country." These three authors assign their reasons in support of a principle in which they all concur : their reasons are in substance the same : and are so convincing that the truth of this principle can no longer be controverted

Certain, however, as the principle is, that the Money or Coins of any country which are to be the principal measure of property can be made of one metal only, the convenience of traffic necessarily requires that in rich and commercial countries there

should be coins made of several metals adapted to the several sorts of purchases or exchanges for which they are intended. Coins made of Gold alone, or of Silver alone, in such countries, will not answer all the purposes of traffic. Coins of Gold are not well adapted for the retail trade, in which sort of traffic the greatest number of the subjects of every country are principally concerned : and coins of Silver are too bulky for larger payments, and are in that respect inconvenient. It is necessary, therefore, that in commercial countries there should be coins made of different metals, and if the coins which are the principal measure of property and instrument of commerce can only be made of one of these metals, the inferior coins made of other metals must be legal tender only in a limited degree as the Sovereign shall direct, and so far only they are the measure of property : and if they are accepted in payment of a larger sum with the consent of the receiver, as may sometimes be the case, they may then be said to be the representatives of the Coins which are the principal measure of property, and their value must be made to correspond with it as accurately as the nature of the subject will admit. It is by adopting this rule or principle that the second and third of the imperfections before stated will be avoided, or at least the ill effects resulting from them will be diminished as much as possible. But absolute perfection and complete accuracy cannot in the nature of things be attained

Mr. Locke, who thought that Silver coins were the only Money of account, or measure of property, was of opinion that Coins of Gold might be left to take their rate or value according to the relative price of Gold to Silver in the market, but experience had shown that this plan did not answer. Mr. Harris differed in this respect from the opinion of Mr. Locke, and held that the value or relation of the Coins to each other should be fixed by law and experience, and the practice of all governments in every age had shown the necessity of this

The Coins of every kingdom or state are the measure of property and commerce within every such kingdom or state, according to the nominal value declared and authorised by the Sovereign, as far as they are made legal tender

In exchanges with foreign countries, and in payments made

to them, the market value of the metal of which the Coin is made is the only measure of property and commerce : because the authority of Sovereigns cannot extend to regulate payments in foreign countries where they have no power of jurisdiction

The Sovereigns of the kingdoms and states in Europe had exercised from time immemorial the right of declaring at what rate or value the Coins of every denomination current in their dominions should pass and become legal tender. This right had been exercised by the Kings of this realm in two ways—

First by their Mint indentures, in which it was declared at what rate, or nominal value, the Coins should be current

Secondly by proclamation

This great prerogative, however, is of so important and delicate a nature, that it ought to be exercised with the greatest judgment and discretion. Very serious evils had been caused by its abuse of which Parliament had frequently complained. This prerogative should always be exercised with the wisdom and support of Parliament. Lord Liverpool then gives details of how this prerogative had been exercised in England

He then says that coins may be debased in three ways—

1. By diminishing the quantity or weight of the metal of a certain standard of which any Coin of a given denomination is made

2. By raising the nominal value of the Coins of a given weight, and made of a certain standard : that is, by making them current, or legal tender, at a higher rate than that at which they passed before

3. By lowering the standard or fineness of the metal of which coins of a given weight and denomination are made : that is, by diminishing the quantity of pure metal, and proportionately increasing the quantity of alloy

Of the first method nine debasements had been made in the weight of the metal since William I. This was first done by Edward I., in the 28th year of his reign, and the last was done in the 43rd year of Queen Elizabeth. By these successive debasements, the number of pennies struck out of the pound

weight of silver had been increased from 240 in the reign of William I. to 744. By this means the Mint Price of Silver, which was originally £1, had now become £3 2*s*., and the value of the Pound in tale was diminished in the ratio of 32 to 93

The second method of debasement was chiefly practised on the Gold Coins, sometimes by diminishing the weight of fine gold in the Coin, and more frequently by raising the nominal value of the Coins, with the intention of preserving a proportionate value between the Coins according to the relative value of Gold and Silver in the market at each period. Lord Liverpool then gives details of the alterations in weight and rating which had taken place in the Gold Coins, and also the variations which had taken place in the market value of Gold and Silver. He then describes the confusion and disturbance which had been caused by these changes in the value of the Coins

Lord Liverpool then describes the debasement of the Coins by diminishing their purity in the reigns of Henry VII. and Edward VI., but as these were merely temporary, we need not further notice them

Lord Liverpool then, having given a long and intricate account of the principles upon which the Coinage of this country had been based for several centuries, and the inevitable and irremediable evils which had been produced by it, proceeds to lay down the principles upon which, in his opinion, the system of Coinage should be based

1. I will endeavor to prove that the Coins which are to be the principal measure of property ought to be made of one metal only

2. I will show of what metal the Coins of this Kingdom, which are to be the principal measure of property, ought to be made

3. I will show upon what principles the Coins of the other metals ought to be made

The first of these propositions has been demonstrated by Sir William Petty, Mr. Locke, and Mr. Harris, and the reasons upon which they came to this conclusion were too well founded to be shaken

In the earlier periods of our history, when only Silver Coins were current, there was no occasion to advert to this principle. But when Gold Coins were introduced, the Sovereigns of this country endeavored to regulate the rate at which these Gold Coins should be current, according to the relative value at which Gold and Silver Bullion in each respective period sold at the market. There was indeed less difficulty in those times in preserving the relative value of the Gold and Silver Coins according to the price of those precious metals in the market than at present: for before the discovery of the mines of America, the relative value of Gold and Silver fluctuated in a less degree than in later times. Gold Coins then constituted but a small part of the currency of the kingdom: the commerce of the country with foreign nations was much less extensive than it has become in the last two centuries: so that the circulation of our Coins was confined, in a great measure, within the kingdom, where the authority of the Sovereign in giving a nominal value to the Coins had a greater influence, and was more readily and correctly obeyed. In those early times the traffic in exchanges with foreign nations was not much practised or well understood

But in the reign of James I. the evils resulting from the fluctuations in the relative prices of the metals were felt in a most alarming degree. In the first year of his reign the complaints of the exportation of Gold Coin, on account of the low value at which Gold was estimated at the English Mint in comparison to Silver, were great and incessant. To remedy this evil the King raised the value of Gold in his Coins by successive proclamations, but at last he raised it too much: so that, during the remainder of his reign and the whole of that of Charles I., the Silver Coins were in their turn exported, and a very small portion of them remained in circulation. In 1663, when the relative value of Gold and Silver was re-estimated at the English Mint, Gold was underrated and all the Gold Coins then made would have been immediately exported, if the Government had obliged the people to receive them as legal tender at the nominal value of them in the Mint indentures. But Government allowed the Coins to be received at the value which people set upon them, according to the relative price of Gold and Silver in the market. After the

recoinage by William III., Gold Coins passed currently at a higher value than they were rated in the Mint indenture, or than the relative value of Gold and Silver would then justify : not by the authority of Government, but by the general consent of the people. The consequence was that the new Silver Coins began immediately to be melted down and exported. The same deficiency in the number and weight of the Silver Coins remained to that day

James I. consulted Bacon, Coke, and many other eminent men, but they were unable to devise a remedy for the evil. A posthumous treatise by Sir William Petty had been published in 1691, in which the true doctrine was first enunciated, suggesting the remedy so long sought for in vain. Locke and others supported him in this opinion : but this true principle, which solved the difficulty, has never yet been carried effectually into practice

During the whole of the period when our Coins were in so great a state of confusion, the commerce of the country had been constantly increasing, and the balance of trade was almost always in favor of the country. These evils did not spring from a want of the precious metals, but from a continual conflict between the Coins made of different metals : and this circumstance promoted the practice of melting down and exporting one or other sort of Coin, whenever the metal of which either of them was made happened to be underrated at the Mint, and a profit could be made thereby : a traffic from which the public derived no advantage, but suffered great loss : carried on by a class of men who were always preying upon the public, and therefore they ought to be discouraged as much as possible by every wise Government

The truth of the principle that the Coins, which are the principal measure of property, can be made of *one* metal only was further illustrated by the practice of Venice, Genoa, Amsterdam and Hamburg, which made all foreign and other bills, exceeding a certain amount, payable only in Bank Money. These were small States, and were overrun with all sorts of foreign coins, ill regulated and defective. To remedy this, these States formed Banks of Deposit. The managers of these Banks gave *recipisses*,

receipts, or notes, in return for the Gold and Silver Bullion or Coins, considered as such, placed by individuals in their custody: or they gave them Credits in their books to the amount of the value thereof, with the right of transferring them

These receipts, or notes, and this right of making transfers, called Bank Money, represented the Coins according to the standards of their respective Mints: they, therefore, retained a certain and undisputed value: and they became the fixed standard or measure, according to which mercantile payments were made

But in extensive Kingdoms, which are at the same time greatly commercial, no such system ever existed: nor would it be possible to carry such a system into execution. One Bank of this description would not be sufficient in such a country as Great Britain, and great inconveniences might result from the establishment of many in different parts of the Kingdom. The Coins of the Kingdom are therefore necessarily the principal measure of property, and the instruments of commerce: and from thence results the necessity in this country of having Coins made of one metal only, which should serve as an invariable measure for the purposes above mentioned: and for the same reason these Coins should be kept in the greatest possible perfection

It appears, therefore, not only from the clearest deduction of reason, and by the concurrent opinion of the most eminent writers, but by the evidence which long experience in this Kingdom afforded, to be a certain and incontrovertible principle that Coins, which are to be made the principal measure of property, can be made but of one metal only. The Coins made of other metals may be useful, and even necessary: but they must take their value and pass into currency, according to the rate, or value, given to them by the Sovereign with reference to that Coin, which is the principal measure of property, that is of the standard Coin

It being then established that the Coins, which are to be the principal measure of property, can only be made of one metal, the next point to be considered is, which metal is it to be. Mr. Locke and Mr. Harris held that Silver should be that metal. But Sir William Petty, who was more a man of business and of the

world than either of these two, acknowledges that, as matters then stood, Silver was the matter of Money. But he expresses a doubt whether in that sense there was any such Money or rule in the world. He judged rightly. It is certain that the Governments of Europe have not in general paid attention to this rule : nor is it surprising that persons wholly occupied in official business should not have had leisure to study and understand so abstruse and complicated a subject

As a matter of Law, Gold and Silver Coins had been for several centuries equally legal tender : but as a matter of fact, ever since the recoinage of William III., people had preferred Gold Coins even at value exceeding their market value, either from motives of convenience, or from some other motive. Whatever the motive was, the fact was certain. It was equally certain that a great part of the perfect Silver Coins, which had been so lately issued in great plenty, had disappeared, and were either melted down or exported. The Gold Coins, then, from that time were in fact preferred, and became the measure of property in the opinion and practice of the people

In 1717 the rate of value of the Gold Coins was fixed by proclamation : the Mint indenture was altered in conformity with the proclamation : the Guinea was ordered to pass for 21*s*., and the other Gold Coins in proportion. They have since continued to be current and legal tender at that rate, though it was higher than their market value compared with the perfect Silver Coins. Before that time great payments had frequently been made to the Exchequer in bags of Silver, as they were then made in some foreign countries, but since that time no considerable payments had been made either at the Exchequer, or to individuals, in Silver Coins: the only use in which they had since then been employed was in payments for small sums, or as change for Gold Coins. The Silver Coins have, therefore, become subservient to the Gold Coins : and the Gold Coins had then become in the practice and opinion of the people the principal measure of property

Mr. Lowndes himself acknowledged that great contentions daily arose in all fairs, markets, shops, and other places throughout the kingdom, to the disturbance of the public peace, in consequence

of the defective state of the Silver Coins. That trade was on that account greatly lessened : that persons, before they concluded any bargains, were under the necessity of settling the price or value of the very money they were to receive for their goods, and they set a price upon their goods accordingly. These practices had been one great cause of raising the price, not only of all merchandise, but of every article necessary for the sustenance of the people. The receipt and collection of the public taxes, revenues and debts were greatly retarded. The cause of these evils was clear. The Silver Coins, which were then the principal measure of property, were greatly deficient : every commodity then rose in its value in proportion to this deficiency : they all took their value in reference to the Silver Coins. But none of these evils had happened for many years past, in consequence of the existing defect of our Silver Coins. There is no reason to suppose that any commodity has on this account risen in its price, or value. The reason was that the practice and opinion of the people had changed with reference to the principal measure of property. The Silver Coins had ceased to be the principal measure of property. All commodities now take their price, or value, in reference to the Gold Coins. For this reason, the present deficiency of the Silver Coins has no effect on the price of commodities. It is clear, therefore, that in the practice and opinion of the people, the Gold Coins had become the principal measure of property

The foregoing facts clearly proved the opinion of the people of Great Britain in their interior commerce and domestic concerns. The opinion of foreign nations was exactly the same. In the reign of William III. the exchanges with the Low Countries had fallen so much that persons lost 4*s*. in the Pound on all remittances there : the exchanges with Hamburg and the East were lower still, and even worse to all the countries in the Mediterranean. The most favorable of our exchanges was 20 per cent. against the country. These facts were confirmed by the most eminent writers on Exchanges. Foreigners at that time considered the Silver Coins, then very defective, as the principal measure of property and of foreign commerce, and they rated their Exchanges accordingly. But these evils had ceased since 1717, though the

Silver Coins continued to be very defective. But the exchanges were very adverse to us when the Gold Coins had become deficient. That was the cause of the great recoinage in 1774. But since the recoinage, the exchanges had been rectified

For many years previous to the recoinage in 1774, Gold Bullion had been higher than its Mint Price. It was sometimes as high as £4 the ounce. From 1757 to 1773 its average price was £3 19*s.* $2\frac{3}{4}$*d.* per ounce, or 1*s.* $4\frac{1}{4}$*d.* above the Mint Price. But immediately after the recoinage Gold Bullion fell below the Mint Price. For 20 years previous to 1797 the Bank paid for it, on an average, not more than £3 17*s.* $7\frac{3}{4}$*d.*, or $2\frac{3}{4}$*d.* under the Mint Price. The condition of the Gold Coins also affected the price of Silver Bullion. Neither before or after the recoinage was the price of Silver Bullion affected by the bad state of the Silver Coin. From which it is clear that the price of Gold and Silver Bullion had for 40 years been estimated by the state of the Gold Coin only, and not that of the Silver Coin. Thus, in the opinion of the dealers in the precious metals, the Gold Coin was the principal measure of property and the instrument of commerce. Thus foreign merchants concurred with the people of this country in considering the Gold Coins as the standard measure of property

All these reasons, as well as others, showed that Gold ought to be adopted as the single metal of the standard Coin: and that the Gold Coin should be coined free from any seignorage, or charge, as it had been since 1663, in unlimited quantities

Where the function of Gold Coin ceases that of Silver Coin should begin: and where the function of Silver ceases that of Copper should begin

The suggestions of Lord Liverpool could not be carried out in 1805, as payments in Cash by the Bank of England were at that time suspended. But we shall soon see how his Treatise was received in India, which was at that time greatly disturbed by a multiplicity of Gold Coins and Silver Coins, whose value was constantly fluctuating: and the East India Company had endeavored to introduce Bimetalism into India, which turned out a signal failure

Resolutions *of* Parliament *as to the* Silver Coinage

On the 30th May, 1816, Mr. Wellesley Pole, Master of the Mint, moved resolutions in the House of Commons relating to the Silver Coinage, in answer to a message from the Prince Regent.

He said that the Exchanges were now in our favor, the high price of Bullion which had existed during the war was now at an end, and the precious metals were now at their natural level. Silver was then rather under the Mint Price, and Gold very near it. It was therefore a fitting time to undertake a recoinage, and place it on such a footing as to enable us to return to a metallic Currency.

The standard Coin of the realm, the measure of value, had originally been silver, but in course of time gold had been introduced as a convenient measure. As the use of gold coins had extended, the difficulty of regulating the relative price of the two metals to each other, as well as regulating the price of the Coins to their respective metals, began to be seriously felt, and many alterations had been made from time to time in the gold money in the hope of keeping the coins of both metals in circulation. The guinea, coined by Charles II. in 1663, was denominated a 20*s*. piece in the Mint indenture. But as Silver was then considered as the measure of value, the gold coins varied from the rate fixed by the Mint indenture, according to the price of Gold Bullion in the market. The effect of this was to drive the good heavy milled silver coins to the melting pot, and to encourage the clipping and defacing of the remaining Silver Coins. The commerce of the country was greatly disturbed in consequence. The true cause of this was attempting to make both coins equally current at a fixed legal ratio, while it was impossible to prevent their fluctuating in price, and so throwing the whole circulation of the country into confusion

Experience shows that it was not expedient to allow coins of both metals to be equally legal tender to an unlimited amount. It had become the opinion of all the eminent men who had recently written on the subject that there should be but one standard measure of value. Sir William Petty, Mr. Locke and Mr. Harris were agreed upon this. They all agreed that the

standard money cannot be made of two metals whose value with respect to each other was constantly changing. Hence only one metal is fit to be made standard money aud the measure of commerce. These opinions had been corroborated by Mr. Alcorne, Adam Smith, Lord Liverpool, and the Bullion Committee. All these authorities agreed that the standard measure of value and the standard coin of the realm should be of only one metal. He believed such to be the universal opinion

There had been controversy as to which should be the standard metal. Locke and Harris were of opinion that silver should be the standard, but they gave no reason for it. But Lord Liverpool was in favor of gold, and he believed that if Locke had been living then, he would, from the change of circumstances, have been of the same opinion. After the great recoinage by William III., gold had nearly driven silver out of circulation. The public considered both metals to be equally the standard coin of the realm ; but as the relative price of the metals was constantly changing, it was impossible that Coins of both metals should continue in circulation. The gold being overrated, the silver disappeared. All the distress and difficulty which had caused the great recoinage in 1695 reappeared. Sir Isaac Newton, to whom the matter was referred, showed that the legal ratio of gold to silver was too high, as compared with their market value throughout the world. At that time guineas were current at £1 1*s.* 6*d.* : but, according to the market value of the metals, the value of the guinea was only about one pound and sixpence or eightpence. Consequently he cousidered it was overrated by 10*d.* or a shilling. He, however, proposed that it should be lowered sixpence as an experiment, which was accordingly done in December, 1717. By this gold was for the first time made a legal measure of value. Except in the two Acts of Parliament in 1695, gold had beeu entirely neglected by the Government, and it had always been coined by the Mint indenture to represent a 20*s.* piece. But in 1718 it was rated at 21*s.* in the Mint indenture, and since then it had become in fact the standard measure of value, and has always been so considered, not only at home, but in the foreign exchanges, aud the gold coins had never since fluctuated in price. Silver siuce then, instead of being the

standard, bad come to be considered merely as subordinate both at home and abroad. This was in effect changing the standard, and limiting it to a single metal. The silver coinage continued to disappear, and had never recovered the shock it received in 1717. From 1717 to the present time it had been found impracticable to attempt a silver coinage. The dread of the competition of the coins of the two metals, if they circulated together as the standard coin of the realm, and as equally legal tender to an unlimited amount, and the fate of the silver coinage of 1695, had deterred the Government from such an attempt, and during the whole of the century only £649,000 in silver had been coined, and in the fifty-six years of the present reign only £64,500 had been coined. Thus it had become excluded from all large payments, and it was merely used as small change for the gold coins

Gold having, in the opinion and practice of the public, become the standard measure of value, and all our exchanges being calculated by common consent with reference to the gold coins, they had become much deteriorated by 1773, and seriously affected the exchanges. All the old gold coin was called in and recoined, and it was enacted that in future it should only be current by weight, and that if it had lost one grain of its weight it should cease to be current. The effect of this on the Exchanges was most beneficial. The Exchanges, which had been previously adverse, immediately turned in our favor. From this period till 1797 there had been little or no fluctuation in the price of gold, and all the previous inconveniences disappeared

He therefore contended that Gold was in fact the standard coin of the realm, and that it was fit that it should be so. That Parliament also held the same opinion was obvious, because as soon as the reform of the gold coin was completed in 1774, it was enacted that Silver should not be legal tender in coin, or by tale, for more than £25, and for all sums above that it was only to be tendered as bullion by weight at the rate of 5*s.* 2*d.* per ounce. This had been continued till 1798, when Lord Liverpool advised that the coining of silver should be prohibited until the whole subject was considered by a Committee of the Privy Council. An Act to that effect was passed

Mr. Wellesley Pole then stated the principles upon which the new Coin was to be regulated. If gold was to be adopted as the sole legal standard Coin, silver might be coined of the established fineness, but a slight diminution might be made in their weight, so that it might not be exported. It might then be made, as Adam Smith had suggested, legal tender for not more than a guinea, in the same manner as copper was legal tender for not more than a shilling. If the pound Troy of silver was coined into 66*s*. instead of 62*s*., and the difference between the two retained as a seignorage, he thought that such a coinage would answer all the purposes of change. This would raise the value of Coin above Bullion about 6 per cent. Bullion must rise so much above the Mint price before Coin could be brought upon a par with it: this he hoped would be a sufficient protection to keep the Coin in circulation. Thus silver would circulate merely as small change for gold. He should propose to limit the legal tender of the new Silver Coins to two guineas. This, he conceived, would answer every purpose of convenience, and guard against the possibility of any traffic in the Coins of the different metals, be the price of bullion what it might. The seignorage of four shillings out of 66 would pay the expense of the coinage, which was estimated at $2\frac{1}{2}$ per cent., and leave a profit to Government of $3\frac{1}{2}$ per cent.

The resolutions to that effect were then agreed on, and the same evening similar resolutions were agreed to by the House of Lords

In pursuance of these resolutions the great Recoinage Act Statute, 1816, chap. 68, was passed, which established our present system of Coinage, the triumphant success of which, while most other countries were disturbed by Coinage troubles, has proved itself to be the most perfect system of Coinage ever devised by the ingenuity of man

By this Act the Silver Coins were made legal tender for any sum not exceeding 40*s*.

The New Coinage was issued in 1817. The Coinage of guineas was discontinued, and Sovereigns of the value of 20*s*. were made the standard coin, and legal tender to an unlimited amount

Debate *on* Bimetalism *in the House of Commons*

On the 8th of June, 1830, Mr. Attwood, who was famous for his Currency fads, brought forward a motion in the House of Commons to re-establish Bimetalism. Silver had then diminished in value about 5 per cent. from the Mint ratio in 1816, which was 1 to $15\frac{1}{7}$: in 1830 it was 1 to 16

Mr. Attwood made an immensely long speech, abounding with historical inaccuracies and misconceptions, containing nevertheless a certain modicum of truth. He fully admitted the Law of Gresham, that people always pay their debts in the cheapest medium : and he stated that it was the express purpose of his motion to allow persons who had contracted their Debts in Gold to pay them in Silver, which had diminished 5 per cent. in value. He moved that the Coinage should be restored to its old position in 1797—That it was expedient to repeal so much of the Act 56, Geo. III., c. 68, as declared Gold coins to be the only legal tender in payment of all sums beyond the amount of 40*s*., and to establish Gold and Silver coins of the realm, coined in the relative proportion of $15\frac{2859}{13640}$ lbs. weight of sterling silver to 1 lb. of sterling gold, as legal tender for all money engagements, as directed and ordered by the proclamation of the 4th George I.

Mr. Herries, the Master of the Mint, in the course of his reply, said that he would not detain the House with details upon a part of the question which did not call for them, but it would be sufficient to observe that it was perfectly well known that the proportion in which these two metals interchanged then in the market of the world was essentially different from the proportion of 1798. In fact the hon. gentleman had admitted this : nay, the hon. gentleman had gone further, and told them that the difference was as much as 5 per cent. This was not quite correct : the difference was not quite so great : but take it to be as the hon. gentleman had stated it, and to what result did it lead them ? Why the hon. gentleman, ingenious as he was—practical as he boasted himself to be—had gravely and seriously recommended that the Legislature should make Gold and Silver equally a legal tender at the old Mint prices, although in the very same breath

he acknowledged that these metals differed in value from these prices as much as 5 per cent. *He would venture to say that such a proposal had never before been seriously made.* The hon. gentleman had with great pains and minuteness traced the history of our Currency, and had told them how our ancestors had been obliged from time to time to adjust the value of these two metals, in order to keep them both legal tenders. Indeed this was the whole object of Sir Isaac Newton's tables: but the hon. gentleman derided the wisdom of Sir Isaac Newton, and in defiance of all these facts, of which by his speech he had proved himself to be cognizant, not ignorant, he had said—"Let the two metals be a common tender, and let the debtor pay in which he pleases" . . .

Suppose the resolution of the hon. gentleman to be agreed to, what would be the inevitable result? Why it would be proclaimed tomorrow from one end of the country to the other—he need not specify how—that this House had come to a resolution the effect of which might be shortly stated thus—namely, that every man who had claims payable on demand, every man who held notes of small or great value, every man who had debts outstanding, would, if he secured the amount of what was due to him before the resolution passed into Law, get the whole of his money: whereas, if he delayed beyond that period, he would only get £95 for every £100. It was terrible to reflect upon the consequences which must follow. What would become of the Bank of England—what would become of every banking house in the Kingdom—what would become of all debtors who were liable to pay upon demand all that they owed? *Would not all transactions of commerce be suspended, and the whole country present one continued scene of confusion, consternation, and ruin,* when the House of Commons proclaimed to all who had debts due to them, that if they did not collect them on the instant they would assuredly be losers to the amount of 5 per cent? After replying at great length, Mr. Herries concluded by saying he could not consent to a motion which he felt would succeed, before the setting of the next sun, in creating a panic and confusion such as could not be described, and which it would then be too late to remedy

Mr. Huskisson strongly opposed the motion. He said that he entirely acquiesced in the opinion already given by the Master of the Mint, *as the measure would be productive of bankruptcy and ruin.* He altogether concurred with the Master of the Mint in thinking that *if the House agreed to this resolution to-night there would be a general panic among the people tomorrow, and that before the lapse of a week it was probable there would not be a sovereign remaining in the country*

Sir Robert Peel thoroughly agreed with Mr. Herries and Mr. Huskisson. It was impossible that the scheme suggested could be productive of any good whatever. . . . . The proposition carried its own refutation on the face of it, for it could not be acted on beneath a month from the then time, so that the creditor might clearly take advantage of the interval. . . . . *The notion of a double standard was totally fallacious*, and would be found impracticable in effect, nor had it ever for a moment been entertained by Mr. Locke nor any others who had advocated a silver standard. . . . . If they were to act as the hon. gentleman recommended, in the event of a panic there would be a simultaneous call for gold . . . . *all would turn to confusion, and pubtic ruin must be the consequence*

The motion was negatived without a division

Mr. Herries, Mr. Huskisson, and Sir Robert Peel were the three ablest financiers of the day. They lived at the time of the institution of our present system of Coinage, and they were perfectly aware of all the circumstances and reasonings which rendered the former system hopelessly impracticable, and which led to its abandonment

If they were unanimously agreed that an attempt to re-establish Bimetalism, when the diminution in the value of silver was only 5 per cent., would produce a national bankruptcy in 24 hours, what would be the result at the present day, when the diminution in the value of silver has nearly reached 50 per cent. already, with every prospect of its going still lower ? At the present day debtors would be enabled to discharge their debts at the rate of about 10*s*. in the pound, and if Parliament gave signs of seriously intending that every debtor should be enabled to

discharge his debts at the rate of 10*s.* in the pound, would not every creditor hasten off to his debtor and demand instant payment in gold, and so bring on instant bankruptcy and ruin ?

The Bimetalists tell us that the adoption of Bimetalism will lead to a golden age of boundless prosperity

Mr. Herries, Mr. Huskisson, and Sir Robert Peel tell us that Bimetalism would bring us to **Universal Bankruptcy** in 24 hours

Which of these parties will sensible men believe ?

TABLE SHEWING THE SUCCESSIVE DEPRECIATIONS OF THE GOLD AND SILVER COINAGES OF ENGLAND FROM A.D. 1344 TO THE PRESENT TIME.

	Silver.							Gold.							
A.D.	Fineness.		Alloy.		Mint Price of 1 lb.			Fineness.		Alloy.		Mint Price of 1 lb.			Ratio Gold to Silver.
	Oz.	Dwt.	Oz.	Dwt.	£	s.	d.	Car.	Grs.	Car.	Grs.	£	s.	d.	
1344	11	2	0	18	1	2	2	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	15	0	0	1 to $12\frac{14844}{25403}$
1345	11	2	0	18	1	2	2	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	13	3	4	1 to $12\frac{14844}{25403}$
1346	11	2	0	18	1	2	4	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$		..		1 to $11\frac{1637}{2865}$
1347	11	2	0	18	1	3	3	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	13	3	4	1 to $11\frac{1637}{2865}$
1352	11	2	0	18	1	5	0	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	15	0	0	1 to $11\frac{151}{955}$
1412	11	2	0	18	1	10	0	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	16	13	4	1 to $10\frac{190}{573}$
1464	11	2	0	18	1	17	6	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	20	16	8	1 to $11\frac{151}{955}$
1465	11	2	0	18	1	17	6	23	$3\frac{1}{2}$	0	$0\frac{1}{2}$	22	10	0	1 to $11\frac{151}{955}$
1526	11	2	0	18	2	5	0	22	$3\frac{1}{2}$	2	$0\frac{1}{2}$	25	2	6	1 to $11\frac{59}{220}$
1543	10	2	2	0	2	8	0	22	$3\frac{1}{2}$	2	$0\frac{1}{2}$	25	2	6	1 to $10\frac{10}{23}$
1545	6	2	6	0	2	8	6	22	$3\frac{1}{2}$	2	$0\frac{1}{2}$	25	2	6	1 to $6\frac{9}{11}$
1546	4	2	8	0	2	8	6	..		..			..		1 to 5
1547	4	0	8	18	2	8	0	..		..		30	0	0	1 to 5
1549	6	0	6	0	4	16	0	..		..		34	0	0	1 to $5\frac{5}{33}$
1550	3	2	9	18	4	16	0	..		..		28	16	0	1 to $4\frac{788}{955}$
1552	11	1	9	19		..		..		..			..		1 to $2\frac{394}{955}$
1553	..		9	19	2	16	6	22	0	2	0	36	0	0	1 to $11\frac{1}{10}$
1577	11	2	9	18	3	0	3	22	0	2	0	36	1	$10\frac{1}{2}$	1 to $10\frac{617}{682}$
1601	11	2	9	18	3	2	0	..		..		36	10	0	1 to $10\frac{617}{682}$
1604	11	0	..		4	2	6	22	0	2	0	36	10	0	..
1605	11	2	9	18	4	2	6	..		..		40	10	0	1 to $12\frac{186}{1705}$
1611	11	2	9	18	4	2	6	22	0	2	0	44	11	0	1 to 12
1612	11	2	9	18	3	2	6	22	$3\frac{1}{2}$	2	$0\frac{1}{2}$	40	18	4	1 to $13\frac{435}{1364}$
1623	11	2	9	18	3	2	6	22	$3\frac{1}{2}$	..		41	0	0	1 to $13\frac{118}{341}$
1626	11	2	9	18	3	5	6	22	$3\frac{1}{2}$	..		44	0	0	1 to $13\frac{118}{341}$
1626	11	0	9	18	3	2	0	22	$3\frac{1}{2}$	2	$0\frac{1}{2}$	41	0	0	1 to $13\frac{118}{341}$
1670	..		..			..		22	0	2	$0\frac{1}{2}$	44	10	0	1 to $14\frac{331}{682}$
1718	11	0	9	0	3	2	6	22	0	..		46	14	6	1 to $15\frac{7859}{13640}$
1817	..		..		3	6	0	22	0	2	$0\frac{1}{2}$	46	14	6	1 to $14\frac{288}{1000}$

Bimetalism *in* India

6. We have now to recount the attempt of the East India Company to establish and maintain Bimetalism in India, and its dismal failure

Some persons have alleged that Silver was the sole Money of India from time immemorial, and that it is not possible to change the inveterate habits of such a people, and to induce them to accept Gold as money. Furthermore, they allege that India is a very poor country, and cannot afford a Gold Currency, and therefore that a Silver coinage is the only one suitable for her

Other persons have alleged that Gold only was the universal money of India before the Mahommedan conquest of Northern India, with copper for small change : and that the Mogul dynasty first introduced Silver money into Northern India

Both these statements, however, are erroneous. Northern India has been accustomed both to Gold and Silver from the earliest ages. India produces large quantities of Gold, but no Silver. Nevertheless, from prehistoric times vast quantities of Silver have been imported into Northern India to purchase Gold. The ratio of Gold to Silver was 1 to 13 in Persia, while it was 1 to 8 in India. Consequently from ages beyond the reach of history vast quantities of Silver were imported into Northern India to purchase Gold

The Phenicians were the earliest seafaring traders in the world, and their trade extended from Tartessus, or Tarsus, in the West, to Burmah and Siam in the East. They brought Silver from Tartessus and exchanged it for the gold dust of the Lower Indus, which Sir Alexander Cunningham, the first authority on this subject, holds to Ophir[1]

He says that Ophir in the Hebrew is translated by Σωφίρ in the Septuagint, which is the country on the Lower Indus called *Sindhu-Sauvîra* by the Indian geographers : Σαβειρία by Pliny, and *Iberia* in the Periplus

This Gold, however, was not coined in those early ages. It was in the form of dust, and it was kept in its natural state in

[1] *Coins of Ancient India.* By Sir Alexander Cunningham, K.C.I.E. London, 1891

small packets of a fixed weight which passed as money. Thus the Gold of Ophir is spoken of in Job[1] as dust of gold, or particles of gold. Isaiah says[2]—"They lavish gold *out of the bag* and *weigh* silver with the balances." Jeremiah speaks[3] of "silver *beaten into plates* brought from Tarshish, and gold from Uphaz (or Ophir)." The gold dust of India is said by Megasthenes to have been sold to the merchants in its natural state, as it did not require to be purified.[4] It is also said that the merchants made a profit by exchanging their own money for Indian gold.[5] Darius exacted tribute from the satrapy of the Punjab 360 talents of Gold dust, which was coined into Darics.[6] The other nineteen satrapies paid their tribute in Silver. From this Sir A. Cunningham concludes that there was no Gold Coinage in India in the sixth century B.C.

We have no information as to when Gold was first coined in India, but Gold Coin is mentioned in the Periplus. It is said *νόμισμά τε χρυσοῦ ὁ λεγόμενος κάλτις*. Sir A. Cunningham considers this Kaltis to be a gold *hûn* of the weight of the Kalutti seed of about 50 grains, and that it was the native Gold coinage of the country

The gold dust of India has always been noted for its deep yellow color, from which it received the name of *suvarna*, or "beautiful color." This name was also applied to the bag of gold dust, which Sir A. Cunningham says is still current in Kumaon, of the value of 8 rupees. But in course of time it became the name of a gold coin of the value of 25 silver *Kârshas*

Although Gold and Silver were equally current in Northern India, there was no fixed Legal Ratio between them. But Silver, having been coined for ages before Gold, was considered as the standard, and Gold was taken at its market value

The Gold money of Northern India consisted of the *suvarna* and the *nishka*, but no specimens of either have yet been found

On the Eastern Coast there was a native Gold coin called *Kaltis*, from which the merchants dèrived a profit by giving Roman gold and silver money in exchange. Sir A. Cunningham considers that the *Kaltis* was the golden *Hûn* of Southern India

[1] *Job*, xxviii., 6, 16 [2] *Isaiah*, xlvi., 6 [3] *Jeremiah*, x., 9
[4] *Strabo*, xv., I., 44 [5] *Periplus*, p. 123-127 [6] *Herodotus*, III., 94, 96, 98

The trade of the Phenicians was with Northern India, and the Mohammedans never conquered Southern India. Consequently there was no Silver coinage in Southern India. The Gold Coin of Southern India was the *Hûn*, or *Pagoda*. These coins and their subdivisions and multiples were very numerous. They continued to be the Standard Coin of Southern India till 1818, when the East India Company first made their Silver Rupee the Standard Unit. This is a conclusive reply to the allegation that India is too poor a country to bear a Gold Coinage. It was the East India Company which made their silver rupee the sole standard throughout India, when they might just as easily have adopted Gold. It was the most disastrous error ever committed by that great Company in their marvellous career

The earliest Silver coin was the *Kârsha*, made out of the silver plates which the Phenicians imported from Tarshish to purchase Indian gold. These coins were small, flat pieces of silver, either square or round, and weighed 56 grains, the same as the Phenician unit. They were also called *Kârshâpana*, from *Kârsha*, weight or market, and *âpana*, custom or use. The word therefore meant "current money." They have been found by thousands in all parts of India, from Kabul to the mouth of the Ganges, and from the Himalayas to Cape Comorin. There are many hundreds of them in various Indian collections, and in the British Museum. Sir A. Cunningham himself possessed 2,000: and he has given representations of several of them in his work above cited. This at once disposes of the allegation that Gold was anciently the sole Standard of India, and that Silver was first coined by the Mogul dynasty. What it seems they did was to be the first to coin rupees. The silver rupee was first coined by Sher Shah, who usurped the throne of Babar. This coin weighed 174·4 grains Troy, and was nearly pure silver, and it retained its purity till 1772

The *Khârshâpana* were certainly current in the time of Buddha, in the sixth century B.C. How long before it is not possible to say. Sir A. Cunningham thinks that they may have been current as early as 1,000 B.C. In the Buddhist sutras, compiled about 200 B.C., they are called *purâna*, or old, which Sir A. Cunningham considers was done to distinguish them from the Greek money introduced by Alexander's successors

The Indian copper money was the *pâna* or *Kârshâpana*, which in the Law of Manu was equal to one Kârsha. The name *pâna* or *pŭn* still exists in Bengal, and is believed to mean a "handful" of cowrees, from *pâni*, the hand. The *pâna* weighed 144 grains

Cowree shells were also used as currency in India as small change for the *pana*. Eighty of them formed a handful, and valued at one *pana*. The term *pŭn* is still used in Bengal to denote 20 *gandas*, or 20 fours of cowrees. We believe that cowrees are still used as currency in some parts of India

When the East India Company extended their dominion over India they found the multiplicity of Gold and Silver coins in circulation of different weights and fineness, and constantly varying in value, an intolerable nuisance. They endeavored to establish Bimetalism—*i.e.*, to issue Gold and Silver Coins at a Fixed Legal Ratio, in 1766. They struck a Gold Mohur, and ordered it to pass current for 14 sicca rupees. But as the rating of this Gold Mohur was much below the current silver value of Gold, it was found impossible to get it into circulation. It was accordingly called in, and in 1769 a new Gold Mohur was issued, and ordered to pass current at 16 sicca rupees. But this coin was not a success, and had very little circulation beyond Calcutta. The Company, being in great perplexity at the disorder of their coinage, sought the advice of Sir James Steuart, who had the greatest reputation in England as an Economist before the publication of Adam Smith's *Wealth of Nations* in 1776

Sir James Steuart *on* Money

Sir James Steuart accordingly drew up a Treatise for them on the subject[1]

He speaks of the abuse of giving Coins denominations above their market value. From the earliest times the equivalent of commodities was reckoned by the weight and purity of the metal: and it was not till modern times that Princes attempted to set an

[1] *The principles of Money applied to the present state of the Coin of Bengal.* 1772

arbitrary value on the Coin by denomination (?). This stamp was originally intended to certify the weight and the fineness of the Coin, and it was a great abuse to find Coins bearing the same name while their weight differed

To reduce the Winchester bushel to a drinking glass, and to call a glass of wine a bushel of wine is not more absurd than to call that a pound which does not weigh an ounce. It is from this that the Science of Money has become so intricate

All the qualities which make the precious metals so desirable for equivalents have been defeated by giving them denominations which had no reference to their weights : by dividing the same species into different masses of the same value, as well as into equal masses of different values. If we restore the metals to their primitive functions the subject of money becomes quite simple

By Coin Sir J. Steuart meant pieces of Gold and Silver of a definite weight and fineness. Worn out and degraded Coin ought to be called Bullion and not Coin

By Money Sir J. Steuart meant only the denomination which determined a proportion of value. What Sir J. Steuart means by denomination is often termed "Money of account." Thus accounts in this country have always been kept in "Pounds": but the actual Coins were an infinity of gold and silver coins. So an account of so many "pounds" would in the last century have been paid in Bank Notes, guineas, silver and copper. The "pounds" expressed in a Bank Note, a bill, or bond are denominations of money, but they are not Coins any more than they are bullion

The use of Money is to value goods : and it consists merely of denominatious which keep as exact a proportion as numbers do. The next thing is to ascertain the exact value of these denominations, which is the function of Coins

Coins consist of pieces of gold and silver, whose weights and fineness must be as exact in their proportions as the denominations of money. But Coins which lose their weight and fineness become bullion

But if the denomination of the Coin be changed without any alteration in its weight and fineness, then the value of the denomination is changed, but not the value of the Coin. As long

therefore as such pieces of Gold and Silver preserve their weight and fineness, they ought to have the same denomination, and pass current according to their denomination as material money. If these principles are adhered to, the value of the money and of coin will remain as invariable as the nature of the metals will permit

The expense of coining naturally adds a value to the Coins beyond that of the metal, and this value is in many cases arbitrary

But the greatest defect of material money arises from the rivalship of the metals themselves. They have been adopted equally as a medium of commerce, or as an adequate equivalent for everything that can be bought. And how can the value of the Coins remain stable while that of the metals varies ?

It has long been the custom in India to coin gold and silver into pieces of the same weight and fineness, as for example rupees: and the gold rupee usually passed for 14 silver rupees : or the ratio of gold to silver was 1 to 14

A master, say, gives his shroff a salary of 1,400 rupees : he may pay him in 1,400 silver rupees, or in 100 gold rupees. Now suppose that the price of gold rises in the market, and the gold rupee becomes equal to 15 rupees. The master then pays his shroff's salary in silver only. The shroff complains that he never receives gold. The master says that he promised to pay 1,400 rupees, and he does so : everyone paid him only in silver: and he can only pay in what he receives. Besides, what good would it do to pay in gold ? Says the shroff, if he received payment in gold he would melt it down: and so with one gold rupee, he could buy 15 silver rupees in the market. So he lost 1 rupee for every 14 he got in silver coin. The master says it is roguery. No, the denominations of gold and silver coin should be in exact proportion to their market value as metals. Now the 14 silver rupees are no longer worth a gold rupee, when the gold melted down will buy 15 rupees. Thus both are losers, because silver rupees are no more of the same value as they were : and as they buy less gold, so they will buy less of other things. If one went to market, things would cost less if paid in gold rather than in silver. Thus the change in the value throws the whole of business into confusion

Sir J. Steuart shows that if either gold or silver coin be made the standard, the other must be adjusted to it from time to time

From this it follows that in every country where revenues, salaries, bonds, and obligations are given, specified in one certain unit of money, it is of the greatest consequence that the standard unit should be preserved invariable

The Coins of a country may be changed when the market value of gold and silver changes: but in all such changes the denominations given to the new Coins must preserve an exact proportion of value to the standard unit of account by which accounts are kept. In Bengal the unit of account is the current rupee. To suffer this standard denomination to be valued by the accidental currency of any coin is contrary to principle. The current rupee, and not the sicca, in any coin whatever, must be the standard by which every Coin or currency is to be valued: and no precaution ought to be omitted to fix or ascertain its own value. By this standard all accounts are kept, and the value of all Coins ascertained at the Mints, and by the shroffs, and if one invariable standard be not found, what security is there for creditors and debtors?

Why does no nation keep their accounts in any specific coin? Neither the pound sterling, nor the denominations of other countries, nor the current rupee in Bengal are specific coins

The reason is, that however at the first establishment of any currency the capital or standard money of account may have been realised in a specific coin, yet the variations in the respective value of the metals has obliged all nations to depart from their first regulations

[But, we may add, a much more potent cause has been that in every State the Prince conceived that he had the right to diminish the weight, and debase the purity of the coin as much as he pleased, and still call the coin by the same name]

Before the discovery of America, gold was seldom more than 10 or 11 times as valuable as silver: but when after that the price of gold rose, Princes would not add a little more weight to their silver coin, as they ought to have done, bearing the denomination of their standard unit, or take some gold from the

coins of equal denomination with the silver. The silver unit of the standard was therefore debased, which caused the melting down and exportation of the gold, which became underrated. Upon finding the gold become scarce, and coming no more to their Mint, to encourage its being brought in, they raised the denomination of the Coin, instead of taking a little from its weight

Raising the denomination of the Coin did not add to its market value: but it lowered the value of the *Denomination*

Sir J. Steuart did not perceive that diminishing the weight of the Coin, and retaining the same denomination was exactly the same in principle as raising the denomination of the existing Coin: and that while the latter was a very simple process only requiring a Royal Proclamation, the former would have been a very slow and expensive process, necessitating the calling in and recoining of the whole of the gold money

When the value of gold rose, more silver ought to have been added to the silver coins. But as this was an expense to the Prince, he preferred to raise the denomination of the Gold Coins, and by this he debased the value of all his future revenues

By the high rating of the Gold Mohurs in Bengal in 1766, and by raising the denomination of the sunnat rupee in 1771, without adding one more grain weight to them, the value of the current rupee is debased, but the value of the gold and silver coin is not raised

The Gold Mohur of 1766 was not really worth more than $11\frac{1}{2}$ sicca rupees: or 13·34 current rupees. But the mohur was raised to pass for 14 sicca rupees: so nobody would give 14 sicca rupees for this coin: and the silver all disappeared from circulation

But the Gold Mohur was reckoned in the Company's accounts for 14 sicca rupees: or 16·24 current rupees. Thus a Coin passed for 16·24 current rupees, which was really worth no more than 13·34. This was debasing the value of the current rupee, and diminishing the value of all the revenues of the Company

If a guinea were raised to £50, this would not add to the value of the guinea, but it would debase the pound sterling

By the regulations of 1771 the same operations were made on

the Silver Coins : sunnat rupees were to be received as sicca rupees, so that 100 of these Coins, which were now equivalent to 111 current rupees, were to pass for 116 rupees. This would cause a great loss to the Company's revenues, and the salaries of their servants

Siccas, annas, and pice were all denominations of weights. One sicca=16 annas=179·5511 grains Troy : and one anna=16 pice. The consequence of the multiplicity of the Coins, and their differing degrees of fineness, was that no one could tell the value of the Coins he possessed. No one could pay his rent without calling in the aid of the shroff. Nor could the Treasury determine the value of the Coins paid to it without the aid of a shroff

In former times Gold Coins were left to find their market value with respect to silver. The Gold Rupee passed sometimes for 12, 13, 14, and even 15 silver rupees, which all proceeded from the variations in the value of the metals

But till 1766 no attempt had been made to fix a legal ratio between the Gold and Silver coins. The Gold Mohur had been coined of the same weight and fineness as the sicca rupee of Bengal

But complaints having been made that silver was exported to China, and great quantities of gold being then in Bengal, either in ornaments, or in Coin, or hoarded away, it was proposed as an expedient to augment the quantity of specie in currency, to make a coinage of gold, in which encouragement should be given to bring gold to the mint from its secret places, and from foreign countries

But the Government did not consider that every encouragement given to Gold in preference to Silver occasioned the melting down and exportation of the Silver Coin. The only encouragement possible to be given to the Gold Coin was to rate it higher than the market value of the Silver Coin : *i.e.*, to overrate the Gold Coin in payment, so that everyone should pay in Gold rather than in Silver. The consequence of the measures of the Government was to overrate the Gold Coin by 17½ per cent. The same doctrines were then current in England : the only effect of which was to debase the value of the Silver. In proportion as

we raise the denomination of a Coin above its market value we debase the value of such denomination, and promote the exportation of what is undervalued. If guineas were raised to 22 shillings in denomination: or if the Mint coined 46 guineas instead of $44\frac{1}{2}$, out of a pound of gold, this would debase the value of the pound sterling

The pound sterling would then be only worth $\frac{20}{22}$ of a guinea instead of $\frac{20}{21}$. By this means the Bank would gain $\frac{1}{21}$ upon all guineas they might then have in their coffers. But, on the other hand, they lose $\frac{1}{22}$ of the interest Government pays them on their stock: or £15,000 a year in perpetuity

These effects took place in Bengal. If the Gold Mohurs had been made legal tender at that rate, the whole Silver would have disappeared: and the current rupee would have drawn its value from the mohur (as the pound sterling now draws its value from the guinea) and consequently have lost $17\frac{1}{2}$ per cent. of its value. Thus the Company must have lost every year for ever for the sake of making a present of $17\frac{1}{2}$ per cent. to the shroffs upon the first issuing of the Coin

For a similar reason the pound sterling has been debased, first by allowing guineas to pass for 21*s*. which are worth no more than 20*s*. [20*s*. 8*d*.] in proportion to our sterling Silver Coin: and then by suffering light guineas, which are many of them worth only 18*s*., to pass for 21*s*. The similarity of circumstances in England and Bengal with respect to the over-rating of gold is a further apology for this monstrous abuse. One pound sterling in new guineas, if compared with our standard Silver Coin, has indeed lost only 5 per cent. The current rupee lost for a time $17\frac{1}{2}$ per cent., but then the greatness of the loss roused the Indians and forced the Company to desist

The doctrines of Sir J. Steuart with respect to the attempt to maintain a fixed legal ratio between Gold and Silver Coins issued in unlimited quantities are admirable, and in entire agreement with those of Oresme, Copernicus, Gresham, Petty, and Locke: and as there is no reason to suppose that he was acquainted with their works, it shows that clear and powerful minds arguing on the same state of facts come to exactly

the same conclusions independently of each other. We cannot say the same of his proposed remedy, that the Coins should be altered in their weights from time to time to meet the alterations in the market value of the metals. Such a plan is absolutely impracticable. It would possess no element of stability. Every change in the market value of the metals would require a fresh calling in and recoining of the Coinage, at an expense and worry which no country could stand. All other remedies being exhausted, there is no resource but to adopt Petty and Locke's plan of Monometalism : and we conclude that Sir J. Steuart was not acquainted with Locke's treatise, because if he had been, so able and clear-sighted a man could not have failed to perceive that it is the only possible remedy in the case

In consequence of Sir J. Steuart's treatise, regulations were made in 1772 to make the gold mohurs receivable at the public treasuries, and in all public payments throughout the provinces, at the rate of 16 sicca rupees: to make them legal tender in all private transactions : and to impose a duty on all gold bullion sent to the Mint to be coined, so as to prevent too large a quantity of coin getting into circulation, and to diminish the advantage derived from importing it in preference to silver

But still this was not satisfactory : and further regulations were made in 1773, saying that the principal districts in Bengal, Behar and Orissa, had each a distinct silver currency which was the standard in their respective districts : this caused great confusion and loss to the ryots. The regulation then enacted measures for superseding all other silver currency in Bengal by the nineteenth sun sicca rupee. The regulation then said that the rules by which the gold coin had been regulated had produced evils similar to those which prevailed with regard to the silver coin

The Government of the East India Company had good cause to complain of the multiplicity of the gold and silver coins that were in circulation, and the serious losses they sustained by their continual variations in value, as at that time there were 139 different kinds of gold mohurs : 61 different kinds of gold pagodas or huns : 25 different kinds of fanams : and 59 different kinds of foreign gold coin : also 556 different kinds of silver

rupees: and 155 different kinds of foreign silver coin in circulation in India: differing in weight and fineness. These vast numbers of coins were not attempted to be tied together by any fixed legal ratio: as indeed would have been obviously impossible, as they were issued by a multitude of independent princes, who claimed the right of coining, in the decadence of the Mogul Emperors, and if they had been so, the greater number would have disappeared from circulation. But they were continually varying in their market value: and consequently the difficulty of rating them in any system of accounts was enormous. In fact no one knew the value of the coins they possessed. All payments had to be made by the intervention of shroffs, which, of course, opened the door to abundance of fraud

The Government were still in a state of perplexity at the failure of their attempt to establish a fixed legal ratio between the coins of different metals—or in other words Bimetalism—when Lord Liverpool's Treatise on the Coins of the realm was published in 1805

The Governor-General *of* India *in Council utterly condemns* Bimetalism

Lord Liverpool's *Treatise on the Coins of the Realm* reached India in the beginning of 1806. At that time the Finances of the Government were greatly troubled by the fact that large amounts of Gold and Silver Coin were in circulation, whose relative value was constantly varying. The Governor-General in Council took the whole subject of the Coinage of India into consideration, and issued a Minute on the 25th of April, 1806, to the Governments of Madras and Bombay on the whole question.

We lay before our readers the part of this important Minute relating to Bimetalism in full, because it is of decisive weight, and it has never been made public before: and we are only enabled to do so by the courtesy of the India Office

The Minute begins by stating the serious losses which had been incurred by the different Presidencies in India from 1779 to

1802, in consequence of the circulation of so many denominations of Gold and Silver coins of different values in different districts. The losses from these circumstances had on investigation proved to have been far in excess of their expectation

They then enunciated a scheme for a uniform system of Gold and Silver Coinage throughout their whole possessions

We now give the part of the Minute relating to Bimetalism *verbatim*

"In the prosecution of our inquiries we have referred to a Letter from the Earl of Liverpool to the King, on the Coins of the Realm (lately published), copies of which we transmit with the present despatch. We think his Lordship has established the principle that the 'Money or Coin which is to be the principal measure of property ought to be of one metal only.' In applying this argument to a Coin for general use in India, there cannot be a doubt, in our opinion, that such Coin must be of Silver"

Then follow details of the new system of coinage proposed, which we omit, as not affecting the general principle of the question. They then continue—

"It is our opinion, supported by the best authorities, and proved by experience, that Coins of Gold and Silver cannot circulate as legal tenders of payment at fixed relative values as in England and in India without great loss: this loss is occasioned by the fluctuating value of the metals of which the Coins are formed. A proportion between the Gold and Silver Coins is fixed by law, *according to the* **Value** *of the* **Metals**, and it may be on the justest principles: but, owing to a change of circumstances, Gold may become of greater Value in relation to Silver than at the time the proportion was fixed: it, therefore, becomes profitable to exchange Silver for Gold, so the coin of that metal is withdrawn from circulation: and if Silver should increase in its value in relation to Gold, the same circumstances would tend to reduce the quantity of Silver coin in circulation. *As it is impossible to prevent the fluctuation in the value of the Metals, so it is equally impracticable to prevent the consequences thereof on the Coins made from these metals*

"From these circumstances the Coin of England has been much disordered, and the papers referred to have plainly shown the

losses and inconveniences experienced in India from similar causes. The loss in Bengal was certainly enhanced by giving to the Gold Coin at the period of its issue an improper Value in relation to the Silver Coin. Loss and inconvenience have been occasioned at Madras by the contrary error, where the Silver Coin was rated at too high a Value in relation to the Gold Coin. *But there is a radical defect in the principle itself of giving a fixed value to metals in Coin, that are in their nature subject to continual change:* because the metals being articles of commerce, their value will fluctuate with the demand. Had the nicest proportion been fixed between the Gold and Silver Coins of Bengal and Madras at the time of their issue, yet the first alteration in the price of the metals would have occasioned the *Batta* (premium) so much complained of, though such Batta had not existed before. The alteration in the value of the metals in Europe has been the principal cause of the present state of the English Silver Currency: a debased and counterfeit money having been introduced into circulation, which does not possess above one-third of the intrinsic value of the legal Coin of the realm. To adjust the relative values of the Gold and Silver Coins, according to the fluctuations in the value of the metals, would create continual difficulties, and the establishment of such a principle would of itself tend to perpetuate the inconvenience and loss

"It is from a consideration of these circumstances that we have been induced to conclude that our Gold Coin should not be forced into circulatian at a fixed value in regard to the Silver Coin, but left to find its own level according to the usefulness it may possess as a Coin, being issued according to the market value of the metals, and received by our officers in the same manner. From this regulation no other loss could be suffered by the Company or the Public than what might be occasioned by the varieties in the prices of the metals: and it is not to be apprehended that these prices could be materially affected by any artifice, or device, as there could not be a quantity of Gold Coin in circulation much beyond the wants of the community

"The contrary practice of forcing the Gold Coin into circulation, on the plea of a want of Silver Currency in Bengal, has had the effect of reducing the value of the Gold Coin by its abundance

beyond the difference in its real value, and increasing the Batta accordingly. We do not imagine that any very considerable quantity of Gold Coin will obtain circulation in Bengal, and although it has been alleged a Gold Coin is necessary to supply the place of the Silver Coin which frequently disappears almost as soon as issued, yet it must be remembered no regulation or expedient can be devised to keep the Coin in any country where the Balance of Trade is against it, and where to this principal cause of a deficiency in the Circulating Medium is added to prevailing disposition on the part of the people to hoard the Silver Coin: where these circumstances exist, all attempts to force a Gold Coin where Silver only is the common medium will be attended with loss and disappointment

"We do not apprehend any difficulty can attend the introduction of a Gold Coin into Bengal, on the principle that it should pass at its market value in relation to Silver, without having any fixed relative value set upon it, neither are we aware of any impediment to the measure at Bombay. In respect to those countries under the Government of Madras, where Gold Coins are the principal Currency money of account, and the measure by which the pay of the troops is generally calculated, some further consideration appears necessary

"We have before stated our opinion that Silver should be the universal money of account, and that all our public accounts should be kept in the same denomination of rupees, annas, and pice. The Committee of Reform recommended this plan for Madras, that their accounts might be assimilated as much as possible to the Government accounts of Bengal and Bombay"

After some details of the new Coins to be issued, the Minute proceeds—

"Our recommendation of the Gold Coin passing generally at its market price, the Silver Coin only being the measure of value, may, we conceive, be carried into effect with great facility, in consequence of both Coins possessing the same denomination, weight and fineness: as also being alike divided into halves and quarters. For an example, we have supposed variations may take place in the values of the metals from 14 to 1 to $15\frac{1}{4}$ to 1, and it will be seen that the value of any division of the Gold Rupee is

found in rupees and annas, only on the presumption that the market values of the metals will not vary in proportions beyond or under one quarter

" We have thus stated our opinion in the view of its being unnecessary to continue a fixed relative value between the Gold and Silver Coins : it appears to us no such necessity can exist in regard to Bengal and Bombay, and we hope no such measure will be found necessary at Madras: but should our Governments, who are assured by the most competent judges, be of opinion that local circumstances render it proper to fix a relative value between the Coins at Madras, the plan we have detailed seems capable of being carried into effect in this respect also with much ease. On the supposition of the quarter Gold Rupee supplying the place of the Star Pagoda, at the value of $3\frac{1}{2}$ new rupees, the proportion of Gold to Silver is as 1 to 14, which is very near the proportion recommended from Madras of 1 to $14\frac{1}{4}$

" Having stated our views concerning a general Currency for British India, we deem it unnecessary to make any observations on the advantages attending such a measure, as our Governments abroad, by constant experience of the manifold evils of the present system, are fully competent to appreciate the benefits that would result from the adoption of a plan whereby a Coin of one standard weight and fineness would become exclusively current as the general measure of value"

The **Silver Rupee** *declared the* **Sole Legal Tender** *in* **India—Demonetisation** *of* **Gold**

7. The Government of India took no action for several years on their weighty and important minute of 1806. But in 1818, being plagued as usual with the change in the relative value of Gold and Silver, by Regulation xiv. of that year, they changed the weight and fineness of the Gold Mohur, to accord more with the market value of Gold and Silver. The Gold Mohur was $99\frac{1}{4}$ parts pure gold and $\frac{3}{4}$ alloy: the new Mohur was $\frac{11}{12}$ fine gold and $\frac{1}{12}$ alloy. The ratio of Gold to Silver was 1 to 14·861: it was changed to 1 to 15. The new Mohur was to pass current for 16 rupees as before. These Coins were equally legal tender till

1835. The Silver Rupee was then introduced as legal tender in Southern India, where hitherto gold had been the standard

At length, in 1835, the Government gave up the attempt to maintain Bimetalism as hopeless. In that year they coined Gold and Silver Rupees, both of 180 grains: 165 grains pure metal and 15 of alloy: or $\frac{11}{12}$ fine. By Act xviii., of 1835, the new Silver Rupee was declared the sole legal tender throughout India, but the Gold Rupees were allowed to pass current, and be received at the Public Treasuries at their market value in silver

The great gold discoveries in 1848 and 1849 seemed likely to cause a great fall in the value of gold, and Holland, in a moment of undue panic, which it repented of afterwards, hastily demonetised gold.

Lord Dalhousie seems to have taken the same alarm, and in the last week of 1852, he suddenly issued a notification, that no gold coin of any sort would be received at the Public Treasuries after the 1st January, 1853. By this unfortunate action Gold was totally demonetised in India. It has been estimated that, in consequence of this notification, £120,000,000 of gold coin at once disappeared from circulation and was hoarded away, and this has been the cause of our present troubles

Movements *in* India *to procure the* Restoration *of the* Gold Standard

8. The demonetisation of Gold by Lord Dalhousie was soon felt in India to be a disastrous error, and a strong feeling grew up in favor of its restoration. The Chamber of Commerce of Bengal memorialised the Viceroy on the subject in 1859. But in 1864 a much more powerful movement was made. The Chambers of Commerce of Bengal, Bombay and Madras took the lead: and other Associations, and many officials of the highest rank, joined in it. They unanimously addressed the Viceroy to memorialise the Home Government to consent to the restoration of the Gold Currency

The Bengal Chamber of Commerce stated that the introduction of a Gold Currency into India was almost universally admitted to be a positive necessity demanded by various circumstances which had been developed within the last few years: and the time had arrived when that necessity should be at once recognised by the State, and measures promptly adopted which should gradually, but surely, lead to the adoption of Gold as the general metallic currency of the country, with Silver as the auxiliary. They referred to the correspondence they had addressed to the Viceroy in 1859, and they requested him to appoint a Committee to inquire into the subject

The Bombay Association addressed a memorial to the Viceroy dated 8th February, 1864, urging the introduction of a Gold Currency into India, as the existing Silver Currency was no longer adequate for the wants of commerce, which was seriously crippled by its inefficiency. From time immemorial until within the last few years India had an extensive Gold Currency, and the superior convenience of it was fully appreciated by the natives. The measures taken by the Government had suppressed the Gold Currency, but had by no means extinguished its popularity. The few Gold Coins in circulation commanded a considerable premium in the market: and the natives made an attempt to remedy the deficiency by circulating Gold Bars bearing the stamp of the Bombay Banks. That large quantities of gold had been discovered in neighboring countries, which would greatly facilitate the introduction of gold. That the direct trade with Australia was prohibited by the exclusive Silver standard, and the expansion of the commerce of India seriously impeded. That a Silver Currency might have been suitable to the country when its commerce was limited and payments in the main extremely small, but was very inconvenient when wealth was largely diffused throughout the country, and the operations of commerce had become so enormous. The transport of this bulky and cumbersome currency entailed heavy and useless expense on the country, and was a serious impediment to trade. The insufficiency of the existing currency had already caused severe financial embarrassment, and threatened the commerce of India with periodical and fatal vicissitudes. The reform was very urgently required, and could not be

delayed without threatening national interests. The restoration of a Gold Currency would be most popularly received in India, both from ancient associations and present convenience

The Bombay Chamber of Commerce said that the monetary condition of India was in the most unsound and unsatisfactory state, and its exclusive Silver currency was no longer adequate for the commerce of its vast population. The trade of Bombay had trebled within the last ten years: and last year the aggregate import and export trade alone of Calcutta, Madras, and Bombay had amounted to 1,060 millions of rupees. The resources of India were only then beginning to be developed, and were rapidly extending in all directions. That the annual produce of silver throughout the world did not exceed 10 millions, while the average annual importation into India during the last six years had been $11\frac{1}{2}$ millions sterling, and last year it was $14\frac{1}{2}$ millions. That the continued drain of silver for India must derange the Silver Currency of all other nations: and it was to the interest of the whole world, as well as of India, to introduce a Gold Currency into the country. That the special demand of India for Silver did not arise from any predilection for that metal, but was compulsory, and due only to their exclusive and inconvenient Silver Currency. That while the production of Silver had remained stationary, that of Gold had increased and was then at least 150 per cent. more than that of silver: and this revolution in the relative quantities of the precious metals showed the necessity of a corresponding adjustment of the currency, and the introduction of gold: and that while there was not sufficient silver for India, there was abundance of gold for all. That while silver was transported from a great distance at heavy cost, gold might be cheaply obtained from adjacent countries. Thus the heavy charges on silver prevented its re-exportation, and thus it lost its reproductive power, and was a serious and unnecessary loss to India. That the exclusive silver standard and currency of India rendered direct trade with Australia and other gold producing districts impossible, and forced a country with abundance of gold to traverse half the globe in search of silver before she could pay for our commodities. The memorial then stated the excessive inconvenience and cost of such a bulky

currency, which restricted trade and caused great loss of interest. The superiority of gold would secure an immediate and intelligent welcome for it in India. That the importation of gold into India had steadily increased for many years, though it was not legal tender. During the last year seven millions sterling had been imported, and since the returns last quoted, the importation into Bombay alone from the 1st May to the 31st December had been $3\frac{1}{2}$ millions sterling. That the Natives themselves had devised a rude remedy for the deficiency of the existing silver currency by using gold bars stamped by the Bombay Banks as a circulating medium. That the exclusion of gold from the currency of India could not be justified or be considered other than barbarous, irrational, and unnatural. That the longer this reform was delayed the more difficult it would become. The only remedy was to introduce a well-regulated gold currency into India

These memorials were forwarded to the Viceroy by Sir Bartle Frere, the Governor of Bombay, with a strong recommendation in their favor

Mr. W. R. Cassels, an official of the Bombay Government, presented an able and elaborate memorial to Sir Bartle Frere, utterly condemning the existing silver standard of India, also condemning an attempt to introduce a double standard, and strongly advocating a single gold standard

The Madras Chamber of Commerce addressed a memorial to the Viceroy, expressing exactly the same opinions as those of Bengal and Bombay, strongly urging the introduction of a Gold Currency, and also a well-regulated Paper Currency

Sir William Mansfield, afterwards Lord Sandhurst, prepared a most elaborate and exhaustive memorial on the subject in eleven chapters, pointing out the great superiority of Gold to Silver as the standard of India. He pointed out that a double standard, or two metals joined together by a fixed legal ratio, is impossible, because the cheaper metal always drives the dearer one out of circulation

If a currency in one of the two metals can be carried on more cheaply than in the other, the former will be preferred. The relative value of the two metals, taken as commodities, and not as mere means of measurement, is carefully weighed, and according

to the price of the metals as fixed by the value of other commodities, will be the choice made by the payers of taxes and debts as to which of the two metals shall be the medium of payment, or in which of the standards payment shall be made

When there is a so-called double standard of gold or silver, or to speak more accurately, a double legal tender, if it be more profitable to the community at large to pay in gold, payments will certainly be made in it, to the exclusion of silver, notwithstanding that the latter is equally a legal tender with the former. In such a case, silver practically subsides from circulation, and sinks into the rank of a mere commodity of trade, with the exception of a certain small quantity which executes very petty transactions : the place of silver in the circulation and deposit being occupied by Gold. Similar arguments show that in the reverse case silver would establish itself as the sole medium of payments. All these arguments are confirmed by the experience of the United States

Justice could alone be done to the community of India by the introduction of a Gold legal tender. Sir W. Mansfield then enters into many details to show that the introduction of a Gold Currency was urgently required as a matter of convenience and economy to the people at large, and the losses caused by the exclusive use of silver

The natives were greedy of the metals in every form. Silver coined or uncoined, gold in bars and in bangles, have the greatest charm for them. Gold on such account is brought into the Bombay market, and taken into the interior directly it appears. There was then no more profitable trade than to import gold for this purpose. An ingot currency, organised by the people themselves, had, as it were, sprung into existence on account of the greatly developed export trade. It was curious to note the determination of the population at large to acquire gold in preference to silver as a means of ornament and hoarding, as soon as their means allowed it. This fact was noted and reported by collectors and superintendents of police. In some districts gold bangles were almost as common as silver ones were formerly. A district, which had been one of the poorest before the opening of the Godavery Canal, had since become so wealthy that it had become a steady

importer of gold: the people were determined to have gold. Every consideration of regard for the people, their convenience, and the economy of their means, showed that we were bound to give an official sanction to a gold currency, which, in a rude and barbarous fashion, they had adopted for themselves

Sir William Mansfield then dwelt upon the prodigious increase of commerce and industry of all sorts within the preceding 50 years. At that period the foreign commerce of the country had been quite insignificant, but in 1865 it exceeded 100 millions sterling. This had caused an exclusively silver currency to be utterly inadequate for the present position of India, and it was to a certain extent corrected by the determination of the people themselves to possess gold, notwithstanding that silver was the sole legal tender. The demonetisation of gold in 1852 was a grievous error, and was in opposition to the old customs of India.

Sir Charles Trevelyan, the Finance Minister, prepared an elaborate minute, dated Simla, 20th June, 1864, urgently recommending the restoration of gold, but unfortunately it was tainted with the recommendation of Bimetalism

Mr. J. C. Parry, of the Delhi Bank, had, under instructions, taken the opinion of the leading merchants and bankers, and they had no doubt of the success of the scheme, if gold were made the standard. One banker, who had agencies in every large town in India, said that silver should only be legalised as payment for fractional parts of a sovereign. The opinion was decidedly in favor of making the sovereign the standard coin. Upwards of 250,000 sovereigns had been received in Delhi, the market value of which fluctuated from Rs. 10·1 to Rs. 10·5. He hoped that no half measures would be adopted

Mr. Neale Porter, of the Sinde Bank at Umritsur, had had a large meeting of city notables, town councillors, magistrates, marwarries and bankers, who were quite favorable to the sovereign as the gold unit, which was quite well known in the district, and was strongly in favor of it himself

Mr. L. C. Probyn, deputy auditor and accountant-general for the Punjab, said that the people themselves were establishing a gold currency, which was very popular with all classes. The value of the sovereign in Lahore fluctuated from Rs. 9·14 to

Rs. 10·8. Immense amounts of gold had been imported into the Punjab

Mr. D. F. MacLeod, Financial Commissioner to the Punjab, said that the ideas of the bankers were rather hazy on the subject, as they could not realise all the effects of making gold legal tender at a fixed ratio to the rupee. On the whole they were rather favorable to having an abundance of gold. "*But they were incredulous as to the possibility of maintaining the relative value of gold and silver at an absolutely uniform rate by the fiat of authority*, instancing as a proof to the contrary the fact, that although we issue copper at the rate of 64 copper pice for the rupee, their money changers invariably realise batta (premium) on giving change for a rupee, and the amount of this batta varies with the abundance, or otherwise of copper current coin available in the market at the time. The same, they conceive, must take place when change is given for a current gold coin"

Wise bankers of Lahore! the scheme of the Government was afterwards wrecked on this very point!

They were unhesitatingly in favor of the sovereign, because it was the coin most familiar to them, being most abundant, and almost the only one used for equalising the exchanges: and if a gold currency were introduced, the cash balances would become much more available, and it would facilitate the adoption of a paper currency

Mr. P. S. Melvill, Commissioner at Umritsur, convened a meeting of the best informed merchants and shroffs, and they were decidedly in favor of the measure: and also in favor of the sovereign, both as regards its sterling value and its exchange value. Sovereigns, to the amount of a lakh of rupees, were usually imported every month from Calcutta. This was about four times the amount in the Seikh times, and was owing to the increase of trade

Mr. Donald MacLeod said that the introduction of sovereigns into Rangoon would be highly beneficial. They were very popular in Burmah, and should be the only gold coins. They would be beneficial to trade in every way

Mr. J. C. Todd said that he quite agreed with the universal opinion in India that the sovereign should be made the standard

gold coin, as it was bought in large numbers by the natives, and, therefore, was free from the disadvantages of a new and unknown coin. It would be a great boon to commerce to substitute a light and valuable medium for a ponderous and unwieldy one, the full value of which could only be appreciated by those who come daily into contact with the trouble and inconvenience of the silver currency

In 1858, a large number of the collectors in Southern India reported that large quantities of sovereigns were in circulation in their district: and that the natives complained bitterly of the losses and inconvenience they suffered from their not being received at the public treasuries. The sovereign only passed for Rs. 9·14. In consequence of this some of the collectors requested that they might be allowed to receive sovereigns in payment of public dues. In a few cases this permission was grudgingly given

In consequence of this powerful movement and the vast body of evidence they had collected, the Government of India, on the 14th July, 1864, addressed a despatch to the Home Government requesting them to authorise them to declare that British and Australian sovereigns and half-sovereigns should be made *legal tender throughout the British dominions in India, at the fixed rate of* 10 *rupees for the sovereign*

Such a proposal was foredoomed to failure, because it was pure and unadulterated Bimetalism. It showed that its authors had not grasped the fundamental principles of Petty, Locke, Harris, Lord Liverpool, the Minute of the Governor-General of India in 1806, and the principles upon which the British Coinage was established in 1816—that one metal only should be adopted as the standard, and coins of other metals should only be subsidiary, and legal tender to a small limited amount

In answer to this despatch, Sir Charles Wood, Secretary of State for India, replied on the 26th September, 1864

He said that their practical proposal was to make the sovereign and half-sovereign legal tender in India for 10 rupees and 5 rupees respectively: and *ultimately* to establish a Gold standard

and Currency in India, as in England and Australia: with a subsidiary coinage of silver, the silver coins not possessing the intrinsic value they represent, and being legal tender only to a certain amount

It appeared from the evidence that there was a general desire for the introduction of a Gold Currency into India, that the people were well acquainted with the sovereign, and that its introduction would be well received, that it would circulate freely at 10 rupees, and that it would be a great advantage to have the sovereign as the common currency of India, England, and Australia

But he very naturally objected to the proposal of the Indian Government

Where coins of two metals, gold and silver, are equally legal tender, those of the metal which, at the relative legal rating of the two metals, is cheapest at any period, are thereby constituted the currency, and the metal of which they are made becomes practically the standard at the time: and, further, a very slight difference in the relative value of the two metals may change the standard and the whole currency of a country

This was exemplified in the recent change in the circulation of France. In that country coins of gold and silver were equally legal tender. Gold coins containing one ounce of gold were legal tender for the same sum as silver coins containing $15\frac{1}{2}$ ounces

Before the recent discoveries of gold, an ounce of gold was worth in the markets of Europe nearly $15\frac{3}{4}$ of silver. It was, therefore, according to the relative legal rating of gold and silver, more advantageous to pay in silver than in gold. Silver coin, therefore, for many years formed the currency of France, the gold coin bearing a premium. Since the recent discoveries of gold, the value of gold relatively to silver has fallen to about 1 to $15\frac{1}{3}$. This difference has rendered it more advantageous to pay in gold. Gold has displaced silver, and now forms the currency and standard in France

[We have already shown that this very slight change in the relative value of gold and silver sufficed to drive £150,000,000 of silver out of France, and to substitute £150,000,000 of gold instead of it. So much for the theories of Bimetalists]

The very same principle applied to India. How was it possible to imagine that the sovereign could bear a fixed ratio to the rupee throughout India? Such a measure would be totally inoperative

Sir Charles Wood, therefore, very properly quashed this fatuous proposal. But he saw no objection to reverting to the state of matters which had prevailed in India for many years, that gold should be received into the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation

[This was not the plan previously in use, the Gold Coins were received in the Treasuries, at their market value, and not at a rate fixed by Government, which just made all the difference]

Sir Charles Wood concluded by authorising the Indian Government to make it known that British and Australian sovereigns and half-sovereigns would be received, until further notice, at the rate of 10 rupees and 5 rupees respectively, and would be paid out again at the same rate unless objected to

To Sir Charles Wood's innocent eyes this plan appeared entirely unobjectionable. It was in accordance with the cautious and tentative course recommended by the Chamber of Commerce of Bengal: it would, as far as it went, facilitate the use of the sovereign and half-sovereign in all parts of India: it would pave the way for the use of gold coinage in whatever shape it might ultimately be found advisable to introduce it: and at the same time it established a preference in favor of the sovereign

Sir Charles Wood was soon undeceived: his plan turned out a complete failure: it never facilitated the use of the sovereign in India: it never paved the way for the use of a gold coinage in India. It fell absolutely stillborn! and why? *Because it was tainted with Bimetalism.* If the Treasuries had been allowed to receive sovereigns at their market value, they would in a very short time have accumulated a vast quantity of gold, which would have enabled them to resume a gold currency: but he **fixed** the price of the sovereign at 10 rupees, when the current market value of the rupee was some annas above that. And this little fly made the whole pot of ointment stink! It ruined the whole project: nobody would be so silly as to pay in sovereigns to the Treasuries

at the rate of 10 rupees, when their market price was some annas higher. Just as no person of common sense would pay sovereigns into his account, if his banker only gave him credit for 19*s.* for them. On such minute delicacies do scientific processes depend

Now if the powerful movement of which all India was in favor had been intelligently carried out by the Government, India might have had the sovereign as the standard coin of India thirty years ago, and it would have saved millions and millions of loss both to the Government and to private persons. But as school boys say—they muffed it

The proposal of the Indian Government was Bimetalism pure and unadulterated, and would have failed instantly and utterly: the plan of Sir Charles Wood was a kind of demi-semi, shilly shally, half-and-half Bimetalism, which entirely failed to succeed

Thus both plans were wrecked on Bimetalism, which has poisoned and ruined every system of Coinage which it ever touched.

And more than that—it has thrown discredit on all attempts to restore a Gold Currency to India. At the present day many persons, when they hear of renewed attempts to restore a Gold Currency to India, shrug their shoulders, and say—" Oh! it was tried in 1864 and it failed; it is like flogging a dead horse." But they never seek to ascertain the causes of its failure. Thus—"The evil that men do lives after them"

Mr. Hollingbery's *Report to the Government of India*, 1875

The failure of the scheme to restore a Gold Currency to India in 1864 did not dishearten its advocates

In 1875 Mr. Hollingbery, Assistant Secretary to the Government in the Financial Department, addressed a most able Report to the Government on the consequences which the fall in the value of silver had then produced on the finances and material progress of India[1]

At that date the price of silver had fallen to $57\frac{1}{2}$*d.* per ounce. The local value of silver had not fallen from what it was before the great fall of it abroad. But in course of time it must fall to its value abroad, though it would take a considerable time to do

[1] *Loss by Exchange, or the Depreciation of Silver, and the effects of its further Depreciation on the Finances and Material Progress of India.* Simla, 1875

so. It is quite impossible in this place to enter into all the details given in this elaborate document, but the writer shows that all the losses and inconveniences caused by the comparatively small fall in its value at that time would have been avoided if India had had a gold standard. He shows that when the legal ratio of gold to silver was 1 to $15\frac{1}{2}$ in Paris, and the ratio in London was 1 to $15\frac{2}{5}$ or $15\frac{1}{4}$, that small figure was sufficient to introduce from 150 to 200 millions of gold into the currency of France, and to cause the withdrawal of an equal amount of silver: and he shows that what was wanted in India was not the withdrawal of silver as a bullion operation, but the substitution of gold for silver in future importations of bullion for settling any balance of trade. The question was, therefore, not what a difference in value between gold and silver would suffice to expel silver, but what would be sufficient to make the importation of gold into India for coinage more profitable than the importation of silver

He then describes the measures to be adopted to promote the transition from a silver to a gold standard

He estimated the quantity of silver in circulation in India at 130 millions sterling: and that 60 millions of gold would be far more than sufficient to restore a Gold Currency

He shows that with a Gold Currency the cost of remitting 15 millions sterling for home charges would never exceed the cost of sending gold from India to England, that is $\frac{7}{8}$ or 1 per cent. But, owing to the balance of trade being always in favor of India, the Council bills would always be at a premium, so that instead of a loss there would always be a profit

He shows that countries which have a silver currency, which have an adverse balance of trade, or borrow in gold-using countries, experience a heavy loss in making remittances to the latter countries: for which reason they find it necessary to adopt a gold standard: and every new country which adopts a gold standard makes the necessity more urgent for the remaining silver countries to conform to the general custom of the world, and adopt Gold as the sole legal standard. And the effects of this fall will be disastrous to India, because it will be the only country in the East which will offer a fixed price for silver, irrespective of its depreciation abroad, and so it will be flooded with depreciated silver

By persisting in retaining silver as the standard of India, the finances and the progress of India will be irremediably injured: on the other hand, great financial advantages and commercial good to that country and the world would follow from the adoption of a Gold Currency in India. And it was not a mere fanciful desire of change, but stern necessity, which compelled the European States to adopt a Gold standard. The same principles which apply to European States also apply to India. The postponement of a change to a gold standard will not arrest the evils which were in progress from the fall in the value of silver, while the longer the change to a gold standard was delayed, the more difficult and expensive, but not the less inevitable, will it be in the end

This most able report, written in 1875, deserves the most careful study, as every one of its prognostications has been fully verified and intensified. When it was written the price of silver was 57½, and the loss on exchange alone in remitting for the payment of the Council charges was a million and a half : at the present time it is about 29*d.*, and the loss on exchange is proportional

Movement of 1876

The rupee continuing to fall, in 1876 the Bengal Chamber of Commerce addressed a memorial to the Government of Lord Lytton to suspend the coinage of silver. But the Government replied that it would be impossible to suspend the coinage of silver without at the same time opening the mints to the free coinage of Gold as unlimited legal tender

Despatch of the Government of India in 1878

The rupee rose slightly in 1877, giving fallacious hopes of a further rise in its value ; but these hopes faded away in 1878, when it resumed its downward career. The Government of Lord Lytton then addressed a long, rambling, nebulous and incomprehensible despatch to the Home Government. I have done my little possible to extract some definite meaning from this despatch,

but I have entirely failed. I need give no further account of it, as it was utterly condemned by a Committee consisting of Sir Louis Mallet, Mr. E. Stanhope, Sir T. L. Seccombe, Mr. R. E. Welby, Mr. T. H. Farrer, Mr. R. Giffen and Mr. A. J. Balfour. The Treasury replied in a long minute, pointing out that it was hopelessly impracticable

Correspondence of 1886

On the 26th January, 1886, the India Office again addressed the Treasury on the constantly increasing difficulties of Indian finance. The Indian Government expressed the opinion that the interests of British India imperatively demanded that a determined effort should be made to settle the Silver question by International Agreement

The India Office then said that from 1871-72 to 1885-86, the rupee had fallen from $23\frac{1}{8}d.$ to $18\frac{7}{16}d.$, and that loss by Exchange had risen from £433,095 in 1871-72 to £3,252,900 in 1885-86

In consequence of this fall the sum which the Indian Government had to remit to England exceeded by more than 40 millions of rupees what it would have been if the rupee had maintained its value of 1871-72. And this sum would have been increased by $6\frac{1}{2}$ millions of rupees if the Indian Government had not raised a loan in Gold of £2,225,000 in London. The additional increase of the amount of bills on India sold in London was one of the causes of the increased fall in the value of silver

Since the accounts of the preceding year had been made up, the rupee had further fallen to $17\frac{11}{16}$, being a fall of $2\frac{1}{4}d.$ in four months, which would cause an additional charge of 8,600,000 rupees. And so long as the rupee continued to fall, the taxation of India must be continually increased

Lord Randolph Churchill, Secretary of State for India, completely supported the representations of the Indian Government, and pressed upon the Treasury the importance of making every endeavor that was possible to bring about by International Agreement, some settlement of the question, how the free coinage might be revived, and the comparative stability of the relative value of Gold and Silver, which is so essential to the regular

course of trade, and which was of vital importance to India, might be ensured

In continuation of this letter, the India Office, on the 17th March, 1886, forwarded a copy of a letter they had just received from the Government of India

On the 2nd February the Indian Government again addressed the India Office on their increasing difficulties

They attributed the serious fall in the value of Silver to the closing of the French Mints in 1874 to the free coinage of silver, in which, as we have seen, they were quite mistaken. It was the serious fall in the value of silver, caused very greatly by the enormous quantities of paper issued by the United States, which caused the closing of the French Mint to the free coinage of silver

The Indian Government then said that the rupee had fallen to 1*s*. 6*d*., which caused an additional charge of one million on the expenditure of India

The increased expenditure on various heads was due to political causes, which could not be avoided: but they did not, and could not, admit that the fluctuations in the relative value of Gold and Silver were beyond control, or that it was impossible by International Agreement to confine those fluctuations within the limit which prevailed up to 1873

If, as they believed, it was possible to secure a stable ratio between Gold and Silver, a serious responsibility would rest both on the Government of India and on the Home Government, if they neglected any legitimate means to bring about that result

The Indian Government then repeated at great length the difficulties which made the condition of India intolerable. They said, truly enough, that no efforts which the Government of India could make could effect the vicissitudes of the seasons, no foresight or sagacity could make them secure from war, or remove the uncertainties respecting the opium revenue. *But the establishment of a fixed ratio between Gold and Silver was not beyond the possibility of human control*, and ordinary prudence required that steps should be taken to remove every preventible cause of future

financial embarassment, and called upon the Government to take the initiative in promoting a conference for the consideration of remedial measures. The evils connected with the present state of affairs were so serious, that the adoption sooner or later by International Agreement of measures which would bring about a stable ratio between Gold and Silver seemed to them to be only a question of time, and the sooner it was taken into consideration the better

To this communication the Treasury replied on 31st May, 1886. They said that the Indian Government again dwelt on the evils of the fall in the value of Silver, and that a determined effort should be made to settle the Silver question by International Agreement, which should supply the solution of the Silver question.

The letter of Lord Randolph Churchill pointed out the evils of the fall in the value of Silver, which were perfectly well known to every one conversant with Indian finance. He said he could not avoid the conclusion that it was imperatively necessary to find some remedial measures, but what these remedial measures were, was nowhere stated. Lord Randolph Churchill most earnestly pressed on the Treasury the importance of bringing about by International Agreement some way how the free coinage of Silver was to be revived, so that a stable ratio between Gold and Silver might be insured. The Treasury would have been glad to have learnt the particular means by which these objects were to be effected

The Indian Government said that while some difficulties could not be provided against, the establishment of a fixed ratio between Gold and Silver was not beyond the possibility of human control. That proposition, however, stated as an undoubted axiom, was one of the most disputable and disputed points in Economic Science. The Treasury said that in opposition to this Mr. Goschen, Mr. Gibbs, and Sir Thomas Seccombe, as the Government representatives at the International Monetary Conference of 1878, declared that "*the establishment of a fixed ratio between Gold and Silver was utterly impracticable.*" The Indian Government further expressed their belief that it "was possible to secure a stable ratio between Gold and Silver," and that a

serious responsibility would rest on the Government if they neglected any means to bring it about. It would, however, have been more satisfactory if the Indian Government had explained the grounds of their confidence that a stable ratio between Gold and Silver could be established, and the methods by which it could be effected

All these facts had been previously discussed between the India Office and the Treasury, when the Indian Government submitted definite proposals for their remedy which were pronounced inadmissible. All the arguments then used remained in full force. In the renewing the discussion it might have been desired that the Indian Government had some reply to the reasons which had hitherto prevailed against their proposals, and proposed some scheme free from them. The Treasury then adhered entirely to the reply given to the proposals of the Indian Government in 1878

The despatch of the Indian Government seemed to point to another International Conference on the Silver Question. It was therefore necessary to observe what had previously been done. In 1878 an International Conference had been held at Paris, in which England was represented by Mr. Goschen, Mr. H. H. Gibbs, and Sir Thomas Seccombe, Financial Secretary to the Government of India. At that conference the United States Commissioners proposed (1) that it was desirable that the unrestricted coinage of Silver and its use as money of unlimited legal tender should be retained where it existed, and restored where it had ceased to exist; (2) that Gold and Silver might be made unlimited legal tender by fixing them at a ratio by International Agreement

To this the French and English delegates replied that it was necessary to preserve the monetary functions of Silver as well as Gold, but that each State must decide for itself how to do so. That as the States in which a double standard exists find it impossible to enter into any engagement with regard to the unlimited coinage of Silver, it was impossible to discuss the question of establishing an International relation of value between the two metals

To this Mr. Goschen and his colleagues appended the declaration that " while not in favor of the universal adoption of

a single gold standard, *they considered that the establishment of a fixed ratio of Gold and Silver was utterly impracticable, and that they were opposed to a system of Currency based upon a double standard* "

[And yet some persons have the hardihood to claim Mr. Goschen as a Bimetalist]

In 1881, another conference took place, at which the Government again recorded its opposition to a double standard

On the 18th May, 1886, the Indian Government in a telegram apparently disavowed any Bimetallic proposals, and confined themselves to certain proposals respecting the coinage of Silver

The results of the conference were summed up in a Report of Mr. Fremantle's, 2nd December, 1881, in which he said that "to fix the relative value of Gold and Silver by law would be to enter upon a course distinctly at variance with the principles of the Government, and would be regarded as an arbitrary interference with a natural law

The Government had seen no reason to recede from their position taken up in 1881, and they would take no measures for summoning or co-operating in a new Monetary Conference until they had previously determined on the policy they could initiate or assent to

With this sarcastic reply the matter then ended, the India Office justly observing that no good could result from carrying on the discussion between two departments of the Government, especially as a Commission on the Depression of Trade had been appointed, which it was understood would consider the whole matter

This Commission on the Depression of Trade was accordingly appointed, but it entered into no investigation of the question, and its Report having been found to be quite unsatisfactory, a new Commission on the relation of Gold and Silver was appointed, which I have noticed in the volume of my *Theory of Credit* of which this Tract is a portion

The Commission sat for two years, and accumulated a vast body of evidence, to which, at their request, I contributed a paper

on the relations of Money, *i.e.*, Specie, to prices. In this I explained the whole juridical principles and mechanism of Credit and Banking, showing that Credits have exactly the same effects in all respects as an equal quantity of the metals themselves; and that the value of gold and silver is not determined by the actual quantities of gold and silver alone, but by the aggregate mass of Gold and all Gold Credits, and of Silver and all Silver Credits, and that the fluctuations in the value of these metals cannot be estimated without taking into consideration the vast masses of Credits payable in each of them

The Report was in some respects interesting, but in others extremely inadequate. They gave a slight notice of Credit, but not the hundredth part of its real importance. I have pointed out that the prodigious increase of the India Council Bills in recent years, has had exactly the same effects on the value of silver as an equal quantity of silver itself. And Mr. Treadwell, the very able editor of the California Bankers' Magazine, confirms and supplements this by affirming that one of the great causes of the great fall in the value of silver, has been the immense quantities of paper issued by the United States Government during the sixties

But the part of the Report which deals with Bimetalism is wholly unsatisfactory. It balances the assertions of the two parties on each side, and gives a kind of half-hearted assent to the doctrine that Bimetalism by International Agreement might be possible. But it never investigated the historical facts relating to Bimetalism during five centuries in which it was attempted to be maintained, which I have laid before the readers of this Tract, and the arguments of the illustrious authorities during the same period which I have cited, demonstrating that it is absolutely impossible to maintain gold and silver coined in unlimited quantities in circulation together at a fixed legal ratio, but that one metal invariably drives the other out of circulation, and alone remains current. Although the Commissioners came to the unanimous conclusion that Bimetalism by International Agreement might be possible, when it came to the practical conclusion of actually recommending its adoption, the Commission was equally divided. We know on the highest Authority that a

house divided against itself cannot stand. Hence the Report never had the slightest effect, and is practically dead. State after State has adopted Monometalism, notwithstanding the Report. England, France, Germany and Austro-Hungary form an impregnable quadrilateral in defence of Monometalism. Some years after the Report, a joint commission of the Austrian and Hungarian Governments unanimously recommended gold monometalism for the new Austro-Hungarian currency system. An influential meeting of German bankers not long ago firmly protested against tampering with the system of coinage: and a Prussian Royal Commission recently agreed that it is impossible to fix a stable ratio between gold and silver by International Agreement. I can imagine the dismay of the Treasury at receiving this Report, which was in direct contradiction of the principles they laid down in their correspondence with the India Office two years before. Happily, too, the Indian Government has abandoned all coquetting with Bimetalism, and recorded their determination to restore a Gold Standard to India. It only remains for them to carry this determination into effect

Whatever may be the advantages or otherwise to India of the substitution of the Imperial Government for that of the old East India Company, which we need not discuss here, the contrast between the two in such question as the present is painful and humiliating in the extreme. The old Government of merchants had full experience of Bimetalism in all its forms, and in a few terse, vigorous and unanswerable sentences condemned it, in the most uncompromising terms, as utterly impracticable. The Imperial Government of India has been coquetting with Bimetalism for 30 years, ever since 1864, and when they had the golden opportunity of restoring a gold currency to India, by constituting the sovereign the standard unit, with a limited silver currency of ten rupees to the pound, they mismanaged it, and have saddled the country in perpetuity with taxation probably exceeding £8,000,000 a year. Do we not say truly that a profound knowledge of Economics is absolutely essential to the administration of a great Empire? Fortunately, however, at last the Government has utterly abandoned Bimetalism: but what a cost it has paid for its errors

At length the terrific down plunge of silver, and the expected repeal of the Sherman Act in America, which was effected by the strenuous efforts of President Cleveland, roused the Government from its apathy, and they closed the Indian mints to the free coinage of silver, but as the scheme of the Government is not yet completed, it is better to refrain from any comments on it

We do not give any account of the Coinage and Currency of America, because that would require a large volume to examine all its intricacies and complicated vagaries, but the principles set forth in the preceding pages have been fully verified there, as being universally true

The Assertions *of the* Bimetalists Confuted

9. We have now laid before our readers a sufficient account of the Coinages of different countries for five centuries : and the arguments and judgments of Oresme, Copernicus, Gresham, Petty, Locke, Newton, Harris, Sir James Steuart, Lord Liverpool, the Government of India in 1806, the Government of England in 1816, the debate in the House of Commons in 1830, and the statements of the memorialists in India in 1864 and 1875 : and they are absolutely unanimous

We stated at the outset of this inquiry that the question has but one simple issue—

Supposing that Coins of Gold and Silver are issued in unlimited quantities at a fixed legal ratio—

(1) Is it the legal ratio fixed between the Coins which governs the relative value of the metals in bullion ?

(2) Or is it the relative value of the metals in bullion which governs the relative value of the Coins ?

The Bimetalists assert that by Fixing a Legal Ratio between Gold and Silver it is possible to maintain a Stable Ratio between them

1. The Bimetalists maintain the first of the two issues above stated. Senator Stewart, of Nevada, may be taken to represent

the dogmas of the Bimetalists. He asserted that during all the period in which a fixed legal ratio had been maintained between the Coins, the value of the metals had remained stable

Mr. Cotterell-Tupp, late Accountant-General to the Government of India, Bombay, who was one of the earliest founders of Bimetalism, in a very interesting paper he read before the East India Association, 28th March, 1892,[1] in which he truly states the stupendous losses caused to India by the fall in the value of Silver, says—"It is we Englishmen who have done this thing, *not* we Anglo-Indians, I am glad to say; but the stay-at-home, know-nothing Englishman, who says 'gold is good enough for him,' and that the 'unlikely look of Bimetalism would have more effect on the minds of Englishmen than any *argument*'

"It is we Englishmen who alone prevented the free coinage of silver after the Paris conference of 1881, when France, Germany, and America were all willing to sanction it: and we alone as a nation stood apart in our apathetic insularity, and although we knew that our greatest dependency, and that one which is most utterly dependent on us in matters of Finance and Currency, was the country which was suffering most from the depreciation of silver, yet we would not raise a hand to save her, or even give any encouragement to other nations who were ready and willing to do so".

Then he says that losses incurred by India are "a tribute to stupidity, to indifference, and to ignorance, and it is a fearful and heavy burden which Englishmen would and could at once remove from India, if they would only take the trouble to understand the question, and to grasp the immense folly of allowing things to go from bad to worse, merely for the want of a little attention and understanding"

After describing the effects on the officials and salaried classes in India, he concludes—"I would urge you to study the silver question, if you have not done so: to examine the subject of Bimetalism carefully and impartially, and to see whether you do not become convinced of the truth of its doctrines. If you do become so convinced, preach its gospel to all you know: talk of it: speak of these fearful evils which I

[1] *The Effects on the Finances and Commerce of India of the Fall in the Gold Value of Silver.* Journal of the East India Association. Vol. XXIV., 1892

have described to you : bring home to others that there is here a crusade worthy of any man's energy and devotion, a cause as worthy of support as any of those to which men give their lives : and try to convince them that *nothing* stands in the way of a speedy and entire deliverance from all these troubles and misfortunes but the inveterate obstinacy and prejudice of the English nation, which prevents America and France from at once restoring silver to its proper value *by one stroke of the pen*, and without loss to any human being "

Poor simple Mr. Cotterell-Tupp ! it would be just as easy to abolish the Law of Gravitation by one stroke of the pen !

The audacity of these assertions is enough to take our breath away, because the experience of ages proves that the truth is the exact reverse of what Senator Stewart and Mr. Cotterell-Tupp assert

We have shown that the judgment of the illustrious authorities whom we have cited, many of them perfectly independent of each other, upon a full consideration of the facts before their eyes, is clear, decided, and unanimous

They unanimously decide that it is the relative value of the metals in bullion which regulates the relative value of the coins

They unanimously decide that the sole power and duty of the Law is to maintain the Coins at a fixed legal weight, fineness, and denomination

They unanimously decide that the Law has no power whatever to regulate the **Value** of the Coins, *i.e.*, their power of purchasing, or exchanging for, other things

Consequently it is wholly beyond the power of Law to regulate the relative market value of Gold and Silver

Coins are nothing but pieces of bullion stamped with a certificate to denote their weight, fineness, and denomination : and if the metal is changed from the form of bullion to that of coin, free of all charge, the value of the metal in Coin is identical with that of the metal in bullion

If any charge is made for changing the bullion into coin, the value of the metal in coin differs from the value of the metal in bullion by exactly the cost of changing it from one form into another, and no more

And when Coins are exported to foreign countries they have exactly the value of the quantity of pure metal they contain

All these illustrious writers, except those who declared for a single standard, pointed out that the Law must regulate the value of the Coins according to the relative market value of the metals in bullion. This was for a long time attempted to be done; but the attempt was finally abandoned as hopeless, as it only led to constant disturbances in the coinage

Not a single writer during this long period ever maintained that the legal ratio of the Coins could govern the relative value of the metals in bullion

Accordingly, among all persons of sound judgment, the Monometallic system of Coinage was gradually accepted as demonstrated, just as the heliocentric system of Astronomy of Copernicus was gradually accepted by all astronomers

The Government of India, in 1806, was the first Government of a great Empire to declare its adhesion to this principle

In 1816 the Government of Great Britain was the first to adopt it in practice, and establish our present system of Coinage, in conformity with the facts established by the experience of ages and the arguments of the most eminent authorities, and being tested during the period of 78 years, has proved itself to be the most perfect system of Coinage ever devised by the ingenuity of man, and which State after State is now adopting

The Bimetalists assert that it was the closing of the French Mints in 1874 *which caused the Fall in the Value of Silver*

2. One of the most persistent assertions of the Bimetalists is, that it was the closing of the French Mints in 1874 which caused the fall in the Value of Silver, whereas the direct reverse is the fact,—*It was the Fall in the Value of Silver which caused the closing of the French Mints*

Even in 1865, when the Latin Union was formed, Italy declared herself in favor of a single gold standard. But soon after the formation of the Union, the Value of Silver had begun to fall, and to create uneasiness in France. A Commission was appointed in 1867, but the majority were not then convinced of

the necessity of adopting a single gold standard, and reported against it

But the fall continuing and becoming more severe, the majority of a Commission in 1868 reported in favor of adopting a single gold standard for France : and a Commission in 1869-70 came to the same conclusion

In Germany also the fall in the value of silver began to create disturbance, and in June, 1870, a Commission was appointed to consider the expediency of adopting a single gold standard in Germany

But the war of 1870-71 put an end to these discussions

By Acts of November, 1871, and May, 1873, Germany adopted a single gold standard, with a subsidiary currency of silver

In December, 1872, Belgium adopted a single gold standard, with silver as subsidiary

In December, 1872, a debate was held at the Société d'Economie Politique on the question of a single or a double standard, and the majority was in favour of a single gold standard

A Monetary Conference was held in Paris in January, 1874. M. Dumas, of the Paris Mint, presided : M. de Parieu was Vice-President. The right of the free coinage of silver was abolished. This, as the *Economist* said, was "an adhesion to the theory of a single gold standard on the part of the French Government, and their appointment of M. de Parieu, as one of the Commissioners to represent them, is a fresh sign of their being in favor of the gradual abolition of a law which, *after 70 years' experience, is found to be effete in theory and prejudicial in action*"

Thus the assertions of the Bimetalists are utterly confuted. It would be absurd to suppose that the French Government would have taken such a serious course as to close the Mints to the free coinage of silver without extremely cogent reasons. It is now shown that the necessity for this step had been foreseen for six years, and it was only done after the fullest discussion, and by the recommendation of the most experienced authorities

Bimetalists run about the country whimpering that no one ever attempts to answer their arguments, they pour their woes into the ears of sympathising meetings of fortuitous atoms that

they are totally ignored by an apathetic Philistine public—and the reason is very simple, they have never yet produced one single reason or argument that the long tried and approved system of Coinage, which is now established after centuries of experience, and the unanswered and unanswerable arguments of a series of some of the most illustrious men that the world ever saw, that Bimetalism is impossible, and that Monometalism is the only system of Coinage which can preserve stability

They do nothing but pour forth torrents of frothy rhetoric and declamation, with abusive epithets on all the solid arguments upon which Monometalism has been adopted, which they are pleased to term exploded fallacies

The claim of the Bimetalists is to have the ratio between Gold and Silver fixed by Law. Both Oresme and Copernicus showed this is impossible

Oresme, in 1366, showed that if it is possible to fix the value of one thing by Law, it is possible to fix the value of everything. Why then fix the value of Gold and Silver only by Law ? Great mercantile calamities are caused by the sudden variations in the value of commodities. Why not then fix the value of all commodities? And that would save vast mercantile calamities.

Landlords and farmers are suffering grievously from the low prices of agricultural produce, caused by the vast importations from foreign countries. Why not then fix the value of all agricultural produce at highly remunerative figures, and at once relieve their distress ? Does any person of common sense suppose that if every country separately, or all nations combined, made a law that the price of wheat should be 60*s.* a quarter, that that would raise the price of wheat one farthing ?

Copernicus, in 1526, showed that a country can no more have more than one measure of value than it can have more than one measure of length, or weight, or capacity

What would any one of common sense say if the Law were to allow two kinds of yards, one of three feet and the other of two feet, to be of common use in the country, and should declare that these two differing yards were equal in length ?

What would anyone of common sense say if the Law allowed a pound and an ounce to be equally called a pound, and declared them to be of the same weight ?

What would anyone of common sense say if the Law allowed two standard measures of capacity to be used, one of which contained a quart, and the other contained a pint, and declared them to be equal ?

Would it not be equally grotesque for the Law to declare that the ratio of gold to silver should be 1 to $15\frac{1}{2}$, when the market ratio of gold to silver is 1 to 35 : thereby declaring that $15\frac{1}{2} = 35$

Locke, in 1692, showed that if the Law could fix an arbitrary ratio between gold and silver, it might fix it at anything. Why then should not the Law declare that Gold and Silver should be equal in value weight for weight ? and so the fortunate possessors of silver would suddenly find themselves 35 times as rich as they were before

It is melancholy to find fallacies, so clearly refuted by Oresme in 1366, by Copernicus in 1526, and by Locke in 1692, and which are contrary to the very rudiments of Economics, repeated at the present day by multitudes of grown men of ability who have good sense in the common affairs of life !

Some Bimetalists allege as an argument that nature has provided two measures of value, as she has provided men with two legs, and that it is as absurd to refuse one measure of value as it would be to cut off one of a man's legs

But Commerce does not rest upon *two* legs only—but upon *four*—**Paper, Gold Silver and Copper**—all these are equally indispensable to the commerce of this, or any other, great mercantile country

A copper, bronze, or other similar currency is quite as indispensable as a gold or silver currency. Why then should not the Law declare that Copper should be coined in unlimited quantities, at the fixed ratio to gold of $15\frac{1}{2}$ to 1, when its natural ratio is about 900 to 1

If it were proposed that sovereigns and copper coins at the ratio of 1 to $15\frac{1}{2}$ should be coined to unlimited amount and made legal tender—would not the keenest Bimetalist shudder at such a proposal and see its absurdity ? And yet copper is quite as important to the immense majority of the people—the very

poorest—as silver to the middling classes, and gold to the wealthy classes

In fact, the wants of such a country as this, and similar ones, imperatively demand a metallic currency of *three* different kinds: if, therefore, we are to have Bimetalism, the natural, logical, and inevitable consequence is that we must have **Trimetalism**

Why should not all metals be coined in unlimited quantities, and made legal tender at the ratio to gold of 15½ to 1? Bimetalists are clamoring for an increase of the currency: this plan would give them an increase of the currency to their heart's content

Copper, or any other metal, is quite as much a natural measure of value as gold or silver, and in a vast multitude of cases a much better one. And exactly the same principle applies to coining all metals in unlimited quantities at the ratio to gold of 15½ to 1, and making them legal tender, as applies to coining silver at the ratio of 15½ to 1, and making it legal tender to an unlimited amount

But in any great mercantile Country **Paper** is infinitely more adapted to large transactions than Gold, Silver or Copper

The rock upon which Bimetalists, and most other persons, founder is in considering Gold and Silver *only* to be the Currency or Circulating Medium. But the Currency, or Circulating Medium, consists of **Credit** in all its forms, both written and unwritten, **Gold, Silver** and **Copper.** And it is the aggregate of these *four* forms of Currency which forms the Measure of Value, or of Prices

And of these four forms of Currency, Paper, *i.e.*, Credit, exceeds all the other three one hundred fold. And it is the vast expansions and contractions of Credit which govern prices far more than any minute variations in the quantity of gold and silver.

An eminent City firm laid before the Committee of the House of Commons, on the Panic of 1857, an analysis of the operations of the house for one year, and they showed that out of £2,000,000 of payments and receipts, only £40,486 were paid in Gold, Silver and Copper: and all the rest in various forms of **Credit.** Some bankers instituted an inquiry into the ratio of specie to Credit in banking operations, and the result was that only 4 per thousand, or ·0025 per cent. were in specie, and all the rest in Credit.

Hence the ratio of specie to Credit was less than 1 to 99. That is to say that in the price of commodities 99 parts consist of Credit, and only 1 part of specie. We shall return to this afterwards

It has now been shown that the assertion of the Bimetalists that it is possible to maintain Gold and Silver Coins, issued in unlimited quantities at a fixed legal ratio, in circulation together in any county, is wholly unfounded: and that the only way to keep Silver in circulation along with Gold is strictly to limit its quantity, as is done in the Monometallic system

Bimetalists assert that the Monometalists wish to **Demonetise** *Silver*

3. The Bimetalists persistently assert that Monometalists wish to **Demonetise** Silver. But such a statement is wholly contrary to fact. No Monometalist was ever demented enough to conceive the fatuous idea of demonetising Silver. To *demonetise* a Coin, or a metal, is to exclude it totally from the currency, to forbid it totally to pass in payment for goods or debts

The Monometalists perfectly allow that Silver and Copper, or other similar metal, are indispensable portions of the Currency, or Circulating Medium. But Silver and Copper are independent measures of value, not convertible at will into Gold. Monometalists know by the experience of ages, and the clearest reasonings of the most eminent writers, that if Gold, Silver, and Copper are allowed to circulate simultaneously in unlimited quantities at a fixed ratio, the one of the three which has the **Least** market value will infallibly drive the other two out of circulation, and itself remain alone in circulation. If Silver and Copper were allowed to circulate in unlimited quantities, and be made legal tender to an unlimited amount at the fixed ratio of $15\frac{1}{2}$ to 1 to Gold, throughout the world, it is an assured fact that Copper would immediately drive both Gold and Silver out of circulation, and itself alone remain in circulation, throughout the whole world. So that Copper alone would be the Universal Currency. Do Bimetalists wish to bring about such a result? And yet that is the necessary logical consequence of their doctrines

What Monometalists contend for is this—That while Silver and Copper are indispensable portions of the Currency, they must be placed under such regulations as will always insure that they preserve a par value with Gold, which can only be done by adopting the well tried and long approved British system of Coinage, which is now being followed throughout the whole world

Furthermore, Monometalists maintain that the Supplementary Currency, *i.e.*, **Credit** or **Paper**, which is based upon the Standard Unit, must be placed under such regulations as that it shall always preserve a par value with it, into which it professes to be convertible. So that the whole Circulating Medium, or Currency, which comprehends *four* different terms—**Credit** or **Paper, Gold, Silver** and **Copper**, and the aggregate of which constitutes the Measure of Prices, shall always preserve a uniform par value with the Standard Unit, and so, on the whole, constitute but **one Uniform Measure** *of* Value

The assertion, therefore, of the Bimetalists that Monometalists wish to demonetise Silver is wholly unfounded

The Bimetalists assert that if Gold or Silver were coined in unlimited quantities at a Fixed Legal Ratio, both metals would circulate together, and so enlarge the Circulating Medium, or Currency

4. This assertion, which indeed contains the pith of the whole case of the Bimetalists, is proved to be utterly unfounded, by the experience of 600 years

Passing over the earlier period in which this assertion was shown to be totally unfounded, we may come to modern times when the system of Bimetalism, which the Bimetalists advocate, was in force

In 1666, Charles II. opened the Mint to the free Coinage of Gold and Silver in unlimited quantities, and without any charge. By the Mint Indentures it was intended that guineas should pass current for 20*s*., but they were never made legal tender at that rate, and they were allowed to pass current at such a rate as the public chose to receive them. Silver was the standard unit, and guineas soon passed for 22*s*. : and it was only because they were

not tied by any fixed legal ratio to silver that they remained in circulation at all. If it had been attempted to have made them legal tender for 20*s*., they would have instantly disappeared from circulation. The Silver Coins became so degraded and debased that guineas rose to 30*s*. On the re-coinage Parliament reduced their value gradually, and by several Treasury Warrants their price was finally fixed at 21*s*. 6*d*. Thus the Bimetalists had their ideal system. Did then Gold and Silver circulate together ? Quite the reverse. All the good Silver disappeared as soon as it was issued from the Mint. It was like pouring water into a sieve. Sir Isaac Newton showed that the true market value of the guinea was only 20*s*. 8*d*., and recommended that it should be reduced to 21*s*. by way of experiment, and it might afterwards be seen if any further reduction was necessary

Parliament acted upon this suggestion, and in 1717, the value of the guinea was reduced by proclamation to 21*s*. In 1718, it passed a resolution that no further changes should be made, and none were made until 1816

Here again was the ideal system of the Bimetalists. The Mint was open to all comers for the free coinage of Gold and Silver without any charge, at the fixed legal rate of the guinea at 21*s*., and did the result correspond to the vaticinations of the Bimetalists ? Did Gold and Silver circulate together at the legal ratio ? Did people bring their Gold and Silver in large quantities to be coined at the fixed legal ratio ?

It was in all respects exactly the contrary. The guinea being overrated by 4*d*. drove the whole of the good silver out of circulation. During the whole of the century the silver in circulation was nothing but the basest trash. No one brought their Silver to the Mint to be coined. What person of common sense would bring his silver to the Mint to be coined, when silver that was worth twelvepence in bullion, was reduced by coining to the value of ninepence ? The Master of the Mint testified, in 1816, that during the whole of the 56 years of the reign of George III. only £64,500 in silver were coined at the Mint.

It was in 1717 that the custom and usage of merchants established Gold as the sole standard of payment, and thus

England became practically a Gold Monometallic country, both for all internal transactions as well as for the Foreign Exchanges, though the effete words of Bimetalism were not expunged from the Statute Book for another century. The Master of the Mint declared, in 1816, that the Law merely established and legalised the system which had been adopted by public opinion since 1717

The great recoinage of 1696, effected when England was involved in such stupendous difficulties of all kinds, must be held to be one of the most heroic Economical reforms ever adopted. It could not have been effected without the institution of the Bank of England. It is said to have cost £3,000,000 : and this vast sum was entirely wasted and thrown away from a want of knowledge of the rudimentary Laws of Economics

Again, let us take the period which Bimetalists themselves cite as the golden age of Bimetalism—that from 1803 to 1873 in France

After multitudes of changes, the ratio between Gold and Silver was fixed in France at about the same period as it was fixed in England, but in the reverse way. Silver was overrated and Gold was underrated. Gold disappeared from circulation, and France became practically a Silver Monometallic country, for the very same reason that England became practically a Gold Monometallic country

In 1803 Silver was declared the standard unit, but Gold and Silver Coins were freely coined at the legal ratio of 1 to $15\frac{1}{2}$. Here then again was the ideal system of the Bimetalists, which they themselves cite as their golden age. Did, then, Gold and Silver equally circulate together in large quantities in France from 1803 to 1873 ? It was exactly the contrary. Soon after 1803, such immense quantities of silver were brought into France as the plunder of foreign countries, that, while the legal ratio was 1 to $15\frac{1}{2}$, the market ratio fell to 1 to 17. From 1803 to 1850 gold was constantly at a premium. The inevitable consequence followed, there was no gold in general circulation, and when gold was wanted, a premium had to be paid for it

In 1850 the market ratio of Silver to Gold was $15\frac{3}{4}$ to 1 : but

soon after the gold discoveries in California and Australia the market price of gold began to fall. In a few years the ratio of Silver to Gold fell, or the value rose, from $15\frac{3}{4}$ to $15\frac{2}{5}$, or $15\frac{1}{3}$, and that apparently slight change in the market value of Gold and Silver was sufficient to drive the whole of the Silver Currency out of France, and substitute Gold for it. In a very few years from 150 to 200 millions of Silver were displaced, and from 150 to 200 millions of Gold were substituted for it. Consequently this vast amount of gold was not *added* to the already existing Silver Currency, according to the fanciful dreams of the Bimetalists, it simply *displaced* the Silver, and the standard was changed from Silver to Gold, without any augmentation of the Currency. Thus the imaginative assertions of the Bimetalists are completely disproved by the inexorable logic of facts

Soon after the formation of the Latin Union, Silver began to fall, and it became clear to the eyes of the Government that it was impossible to maintain both metals in circulation at a fixed legal ratio. Commissions in 1868 and 1869-70 pronounced in the strongest manner in favor of a single gold standard. After the war in 1873, and after Germany and Belgium had adopted the single gold standard, a solemn debate was held by the supporters of the two systems at a meeting of the *Société d'Economie Politique*, and the majority of the meeting was equally convinced that it was absolutely impossible to maintain both metals in circulation in unlimited quantities, at a fixed ratio. Thus it was found to be the conviction of the majority that Bimetalism is a delusion and a chimera, and accordingly the French Mint was closed to the free coinage of silver in 1874: and then, for practical purposes, France became a Gold Monometallic country, because her foreign exchanges are settled in Gold: although the illusory nominal rate still remains on her Statute Book, as it did in England for a century. Thus practical necessities and mercantile usage and custom completely set at nought a few vain words printed in a book

Thus, when the Bimetalists tell us that a legal ratio between Gold and Silver was for centuries maintained both in England and France, they are, in a Pickwickian sense, like those juggling

fiends that palter with us in a double sense, that keep the word of promise to the ear, and break it to the hope. They commit both the *suppressio veri* and the *suggestio falsi.* They tell what is true in the letter, that a legal ratio between Gold and Silver was printed in a book both in England and France for centuries, and they would have us believe that this had the effect of keeping the market value of the metals at that rate, and that both metals remained in circulation at the fixed legal ratio: whereas they wholly omit to tell us that the actual facts utterly belied the delusive expectations they hold out to us. The actual facts were that the metal which was overrated invariably drove out the metal which was underrated, and alone remained master of the field. That under the Law of Bimetalism the two metals never circulated together in any country. That so far from the fixed legal ratio governing the value of the metals, Governments had from time to time to alter the legal ratio so as to conform to the market ratio: and that all civilised Governments have now become convinced of the necessity of abandoning this ridiculous and delusive farce, and of conforming themselves to the demonstrated Laws of Nature

No **Responsible Government** *will have anything to do with* **Bimetalism**

10. The example set by England, in 1816, of adopting a single Gold Standard, with Silver only as subsidiary, and limited to small change, had now been followed by Belgium—and by France for all practical purposes, because by permitting an unlimited issue of Gold in which her Foreign Exchanges are settled, and rigorously restricting Silver, she practically became Monometallic, although she allows five-franc pieces to be unlimited legal tender in her internal commerce; and although the illusory ratio of $15\frac{1}{2}$ to 1 still remains on her Statute Book, it is practically dead—and was soon afterwards followed by several other States

Holland had a Bimetallic currency, gold and silver being equally legal tender. When the great discoveries of gold took place, being alarmed at the prospects of a great fall in the value

of gold, she demonetised gold in haste, in 1853, and repented at leisure. In 1872, she began to perceive the necessity of retracing her steps, and found the inconvenience of maintaining a silver standard, when all her neighbors had a gold one. At first she hankered after reverting to Bimetalism. But at length, in 1875, the slow moving Dutch became convinced of its hopelessness, and of the necessity of conforming to the monetary systems of her neighbors, and adopted a single gold standard

Scandinavia, comprising Denmark, Sweden, and Norway, had a silver standard, but in 1876 adopted a uniform gold standard

In 1877, **Finland**, being sorely troubled with the fall in the value of silver, adopted a single gold standard, and has since found perfect peace

Japan was afflicted with the monetary troubles which inevitably follow an attempt to maintain Bimetalism. When the country was opened up to foreign commerce, it was flooded with foreign silver dollars which brought down the whole system. In vain she tried to maintain Bimetalism at the ratio of $15\frac{1}{2}$ to 1, but at length, finding it hopeless, in 1872 she adopted a single gold standard, with silver as subsidiary, and legal tender for about 40*s*.

Italy has adopted a gold standard in imagination, of which she was in favor in 1865, but how long it will be before she can realise it in fact, when, as we are informed, there is nothing to be seen there at the present day but copper and inconvertible paper money in circulation, remains to be seen

In **Austria** silver was the nominal standard, but in fact she had nothing but depreciated paper money. In 1875, she began seriously to discuss the resumption of cash payments. But the manufacturers and merchants opposed it, imagining that they had some advantages in it in their foreign commerce, and in other respects. But these fancies were refuted, and the Congress assembled to discuss the question strongly reported in favor of a single gold standard, and said that the expense of adopting it would be amply repaid by avoiding the constant losses which the rate of exchange against silver brought with it. After germinating in the Austrian mind for 15 years, a joint Austro-Hungarian Commission in 1892 unanimously reported in favour of a single

gold standard for Austro-Hungary, and Laws to carry this into effect have been passed by the Parliaments of both kingdoms. Though how far her entanglement with paper money may retard the full execution of these laws remains to be seen

Roumania has adopted a single gold standard

It has been announced that **Russia** has been accumulating large quantities of gold coin, with the view of resuming cash payments with a single gold standard at some future time—probably at the Greek Kalends

Canada, so far as monetary matters are concerned, is a perfectly independent State. Other British colonies are bound to follow the lead of their grandmother in their Coinage. But Canada alone has the right to adopt any system of coinage she pleases,—Bimetalism, or any other. But she resolutely adheres to gold Monometalism. Although her accounts are kept in dollars, her standard unit is the British sovereign, and silver is only legal tender for 10 dollars. And while the United States have been convulsed and tormented with their monetary vagaries, Canada has enjoyed perfect serenity. With such an example under her very eyes, it is not to be supposed that she will plunge into the folly of Bimetalism

Persia has absolutely prohibited the importation of silver by private persons

Egypt has adopted a single gold standard

St. Domingo has adopted a single gold standard

British Honduras has just petitioned the Home Government to be allowed to adopt a single standard, which petition the Home Government has granted

Peru has announced her intention of taking measures to adopt a single gold standard

Now can any rational man suppose that while all these countries, after full experience for centuries of the troubles and disturbances of Bimetalism, have repudiated it and adopted Gold Monometalism, they will be moved to abandon their deliberate and deeply considered course, and revert to the exploded chimera of Bimetalism, at the frothy rhetoric and baseless assertions of its advocates?

Bimetalists tell us that it is the abandonment of Bimetalism which has caused these troubles in some countries. But it is exactly the reverse. All the countries which were fortunate enough to take refuge in Gold Monometalism before the terrific down plunge of silver in recent years, have found perfect serenity. While it is only those countries like the United States, which have long been the paradise of currency vagaries, and India, which from the first adopted the wrong metal as her single standard, and missed the grand opportunity, which she had in 1864, of retracing her error and establishing a single gold standard on a sound basis, which have been disturbed

If we might imagine States to be endowed with personal feelings, Monometallic States would be filled with that cynical joy which the poet tells us those who are safe on land feel when they see others tossed about on the boiling waves : not indeed that it is a pleasure to see others afflicted, but because it is delightful to see evils from which you are yourself exempt. But nothing is more sweet than to hold lofty and serene positions, well fortified by the learning of the wise, from which you may look down upon others and see them wandering all abroad from the right way. Monometallic States hold those lofty and serene positions, well fortified by the learning of the wise, while Bimetallic States still struggling in the grasp of the octopus of Bimetalism are

"——— tossed on a perilous ocean
Which clouds overshadow and billows deform"

On the **Alleged Impossibility** *of adopting a* **Universal Gold Standard**

11. Some armchair Economists deride the idea of a universal Gold Standard as lunacy and a false Utopia. They imagine that by adopting a Gold Standard it is meant entirely to displace silver, and substitute gold for it. But such an idea is a complete delusion. No one ever dreamt of making such a proposal. They evidently do not know what is meant by a Gold Standard. What is meant by a Gold Standard is, that the Government should make its Public Debts payable in Gold, or its equivalent, that the Foreign Exchanges should be settled in Gold, and that Bankers

should always hold such reserves in Gold as to inspire the public with confidence that they can redeem their Credits, or Debts, in Gold on demand if required

When a thoroughly sound system is organised on this basis, the actual quantity of gold required is incredibly small, in fact, except within the walls of Banks, gold is scarcely ever seen at all. In England, it is true, that in consequence of there being no Bank Notes below £5, a considerable amount of gold is in the hands of the public. But in countries where Bank Notes of a small denomination are current, gold is scarcely ever seen in the hands of the public. In Scotland, in my younger days, I am persuaded that not one person in three had ever seen a sovereign in their lives. I am informed by an eminent citizen of the United States, that not one person in ten, outside the walls of a Bank, ever sees a gold coin from one year's end to the other. It is the same in Canada. There is no gold in general circulation: it is all retained within the walls of the Banks. It is the same in Australia, and must be so in every country where a well organised system of Banking exists with small Bank Notes. All payments are made by Bank Notes and Cheques. In this country it is proved that gold does not form more than 1 per cent. of the Circulating Medium, 99 per cent. are Credits. It is nearly the same in the United States, Canada and Australia. The alarm therefore of those persons is utterly unfounded. All payments are made by transfers of Credit in Banks. In this country, Bills of Exchange are paid not in specie, but by the constant creation of Bank Credits, as is shown in the subsequent chapters of this volume. Consequently such assertions only arise from ignorance of the mechanism of banking

Moreover, this false Utopia is being rapidly realised. State after State is adopting a Gold Standard. Leaving China out of consideration, India is the only great country which now uses a Silver Standard, and as has been shown, there are many times the quantity of gold in India itself to restore a Gold Standard, without seeking for an ounce beyond its own borders. And the Government have expressed their fixed determination to restore a Gold Standard to India, which it is to be hoped they will carry into effect without delay, to the immense relief of the commerce, and the restoration of the prosperity of that country

Surely the public authorities, the commercial bodies, and the natives of that country are far better judges of what is practicable and beneficial to it, than arm-chair writers, and as has been shown, all these are unanimous in demanding the restoration of the Gold Standard

On the Difference *between the* Times *when* Bimetalism *was attempted to be maintained, and the* Present Times

12. It has been shown that the attempts in former times to maintain Bimetalism, and allowing degraded and debased Coin to remain in circulation along with good Coin, threw all Commerce into confusion. But there is a vast difference between those times and the present, when it is proposed to restore the exploded system of Bimetalism

When formerly Princes held it to be a portion of their Divine Right to alter the weight and debase the fineness of their Coin as often as they pleased, and yet to insist that their people should receive the degraded and debased coin at exactly the same value as good Coin, and when they had at last given up this fancy, and attempted to follow the market value of Gold and Silver in fixing the legal ratio of their Coins, but at the same time issued good Coin without withdrawing the degraded and debased Coin from circulation, merchants and traders had the remedy in their own hands. They at once raised the price of their goods, and even more than necessary, in order to insure themselves receiving a certain quantity of pure metal in exchange for their goods. If the Legislature chose to call a sixpence a shilling, merchants and traders simply charged two shillings for their goods instead of one. They wanted a certain quantity of standard bullion for their goods, quite irrespective of the number of pieces it was contained in. So, though there were many inconveniences to both parties, it was possible for merchants and traders to rub on with such a system. But in those days there were no great Public Debts, and no great Public Banks, which were liable to pay vast sums of a specified metal on demand

But at the present time the British Government is bound to pay about £27,000,000 in Gold to its creditors every year, and

in the aggregate, the Banks in the United Kingdom are liable to pay about £1,000,000,000 in Gold on demand to their creditors: and this contract is binding on both parties: the banks are bound to pay this vast sum, and their creditors are bound to receive this fixed amount, without alteration

Now suppose that it was seriously intended by Parliament to enact Bimetalism at the ratio of 15½ to 1, when the natural market rate is 35 to 1, what would that mean? It would simply mean that the State, all Banks, and other Institutions, and all private persons who were liable to pay 20*s.* in Gold, should be allowed to discharge their debts with about 10*s.* in silver. Would the Creditors of the Banks be so blind as to wait for that?

Such an Act could not, of course, be passed and carried into execution in an instant by a *coup d'état.* When Mr. Attwood brought forward his motion to re-establish Bimetalism in 1830, it was recognized that silver had not fallen more than 5 per cent., so that the Creditors of Banks would receive 19*s.* in the £. What did Mr. Herries, the Master of the Mint, say would be the effect if Parliament were to entertain such a proposal? He said that it would cause an instant run upon the Banks, so that their Creditors might make sure of being paid their debts in full. He said that such a proposal would make the country bankrupt in 24 hours, and Mr. Huskisson and Sir Robert Peel thoroughly agreed with him

But the case is infinitely more serious now. Silver has fallen not only 5 per cent., but 50 per cent. So that if Parliament were to yield to the advice of the Bimetalists, Creditors of Banks would only receive about 10*s.* in the £ of their debts. Suppose that the Creditors of Banks were informed that Parliament seriously intended to pass a law that Banks might pay their Creditors with 10*s.* in silver in the pound, would they not all rush off in a body to demand payment in Gold while they could get it? Thus every Bank in the Kingdom would stop payment in 24 hours

The Creditors of the State could not, of course, demand instant payment in Gold, because their *Rentes* are only payable at fixed periods. But if Parliament were to enact that the State might pay off her debts at 10*s.* in the pound, it would be simply

a **National Bankruptcy** : it would ruin the Credit of Great Britain at a blow : and she would at once descend to the level of Argentina

During all this period of monetary disturbance in the United States, the Government had the legal right to discharge its debts in gold or in dollars—the silver dollar being now worth about 65 cents. But the Government has utterly refused to avail itself of its legal rights. It has invariably declared that it will discharge all its debts in gold, at whatever cost to itself : and it has maintained its resolve all along : nor is there any fear that it will recede from it in future. The United States have infinitely too much respect for themselves to declare a National Bankruptcy : and is it possible to conceive that the Government of Great Britain should condescend to a depth of meanness and baseness and fraud, which the Government of the United States have scorned to do, even though it is allowed by Law ?

A Solemn Warning

13. But we are not without solemn warnings. Unlimited issues of Inconvertible Paper Money stand on exactly the same footing, and obey exactly the same laws, as unlimited issues of Inconvertible Silver. And we have numerous examples of the effects of Inconvertible Paper Money to furnish us with sure guides as to the reasoning about unlimited issues of Silver

Bank Notes payable in cash on demand cannot fall to a discount, for, if they did, the holders of them would immediately go to the Banks and demand money for them, and the Banks would at once pay the penalty of their imprudent issues. But Inconvertible Paper Money is itself an independent measure of value, just like Gold or Silver

During the last century, up to 1793, the Bank managed its issues by a sagacious rule of thumb, and though there were many Commercial Crises, quite as severe as those of this century, there were never any Monetary Panics until 1793, when the Bank abandoned its well tried and safe practical rule of thumb, and ever since 1800 has been managed on *Theories*, every one of which has broken down in practice, and which have produced

those terrible Monetary Panics which have been the scandal and the opprobrium of the Economical and Financial statesmanship of the present century

After the suspension of cash payments by the Banks of England and Ireland in 1797, both Banks abandoned their well tried rule of thumb, and adopted the Theory, founded on an obscure sentence in Adam Smith, that they might make unlimited issues of Paper Money, on what they were pleased to term good Mercantile Bills. The Paper Money of both Banks very soon fell to a heavy discount. The depreciation of the Bank of England Notes drew the attention of Lord King and other able writers, and they laid down the Law of Paper Money, which we have designated "Lord King's Law of Paper Money."[1] The Bank of Ireland had made such extravagant issues of Paper Money that its Notes had fallen to a discount of 20 per cent., utterly disorganising all the commerce between Dublin and London. A Committee of the House of Commons was appointed on the subject, and issued a Report condemning the Bank of Ireland and its Theories in the severest language[2]

For some reason or another the Bank of England Note recovered much of its value after 1804—perhaps they became more cautious in consequence of the severe condemnation of their Irish sister. But as schoolboys soon forget a severe castigation, the Bank of England soon forgot the vicarious castigation they had received in the person of their Irish sister

1807, 1808, and 1809 were years of enormous speculation. The Bank of England made the most reckless and extravagant issues of Paper Money, on the very same Theory that the Bank of Ireland had done, and the consequence was exactly the same. The Bank Note fell to a discount of nearly 20 per cent., the market, or paper, price of Bullion rose to £4 11*s*., the Foreign Exchanges fell accordingly, throwing all commerce into confusion. This state of affairs caused the appointment of the famous Bullion Committee, of whose Report we give an analysis below[3]

In the debate in the House of Commons in 1811, the clearest evidence was given that there were two prices for everything, a gold price and a paper price, that a guinea was commonly

[1] *See post*, Chap. X. [2] *See post*, Chap. XII., Section III.
[3] *See post*, Chap. XII., Section I.

exchanged for a £1 Bank Note and seven shillings. Nevertheless, the Government brought in a motion that in popular estimation a £1 Bank Note and 1*s*. were equal to a guinea, and under the influence of party passion the House of Commons voted that 27 = 21. Subsequently an Act was passed making it penal to make any difference between Bank Notes and guineas. But this Act was wholly ineffectual. Freed from all control by the fatuous vote of the House of Commons, the Bank issued paper money more extravagantly than ever. In 1815 the market price of gold rose to £5 10*s*., and the Bank Note fell to 14*s*. 6*d*. Thus an Act, even though sanctioned by penalties, wholly failed to maintain Bank Notes and guineas at par. The consequences of this futile attempt are detailed further on

When the French Convention issued Assignats they soon fell to a heavy discount. The Convention enacted the penalty of death against all those who did not receive the assignats as equal in value to specie. And yet for all that, the assignat fell to the 36,000th part of its value in specie

Thus it was made manifest that human Laws, even though sanctioned with the direst penalties, were wholly ineffectual to control the Laws of Nature

Since then all attempts have been given up to maintain an equality of value between specie and inconvertible paper money. Does anyone now propose to maintain a fixed legal ratio between specie and Russian paper rubles, or Argentine cedulas ?

The very same principles apply to the attempt to maintain a fixed legal ratio between gold and inconvertible silver issued in unlimited quantities by printing so many words in a book

When the Protectionists wished to keep up the price of wheat to 80*s*. a quarter, they were not so inane as to suppose that they could effect that by simply passing an Act : they took the very practical method of imposing very heavy duties on the importation of wheat, so as *to limit the supply*

The proposal to enact a fixed legal ratio between gold and silver at 1 to 15½, when the natural ratio is 1 to 35, is equally futile : the only way is to strictly limit the issue of inconvertible silver, as Great Britain and every great state have now done

On the Restoration *of a* Gold Standard *to* India

14. When some armchair Economists hear of the proposal to re-establish a Gold Currency in India, they are startled and amazed at the vastness of the operation, and some do not hesitate to denounce it as lunacy. But the question is, not what recluse dreamers think about the matter, but what the responsible authorities, and men who are perfectly conversant with the previous history of the case, and the circumstances which brought about the present state of matters, and the present condition of the country, think possible and advisable. After all it is a pure matter of figures. The real question is—What would be the quantity of Gold required to effect this purpose? and how is it to be obtained?

Now all those who are responsible for the administration of India are unanimously of opinion that the present sole legal Silver standard has inflicted incalculable injury, both on the Government and on its commerce, and that it is indispensable to re-establish a Gold Standard and Currency

The only question then is—how is it to be effected?

Conditions necessary for re-establishing a Gold Standard in India

We have next to consider the conditions necessary for re-establishing a Gold Currency in India: they are—

(1) That the Foreign Exchanges should be in favor of the country

(2) That it should not be counteracted by the circulation of masses of Inconvertible Paper Money

Now the Foreign Exchanges have been uniformly in favor of India, with scarcely an exception, for 2,000 years, and probably a great deal more

Even since the earliest days of the Roman Empire, the constant and uniform flow of the precious metals into India attracted the notice of Roman writers. Gibbon says[1] that the natives of the East were content with their own productions and

[1] *Decline and Fall of the Roman Empire*, Chap. 2

manufactures. But every year 120 vessels sailed for the East, and silver was the only instrument of commerce on the side of the Romans. Pliny says[1] that every year about one hundred millions of sesterces, or about £800,000, in the precious metal were exported to the East. And this influx of the precious metals into India has continued ever since. Even since the demonetisation of gold by Lord Dalhousie in 1852, several millions of gold are imported into India every year. The state of the Foreign Exchanges is, therefore, as satisfactory as it can possibly be for the re-establishment of a Gold Currency

Next, with regard to Inconvertible Paper Money—it is like the Bishop's Chapter on snakes in Iceland—"there are no snakes in Iceland"—so there is no Inconvertible Paper Money in India

It is impossible therefore to imagine a country in a more favorable position for a restoration of a Gold Currency than India

We have already shown that the demonetisation of gold by Lord Dalhousie in 1852 was soon seen to be a most disastrous error, and that all the public authorities, and public opinion, both British and native, loudly demanded the restoration of a Gold Standard and a Gold Currency. In many districts the natives themselves had organised a Circulating Medium of gold bars, and in the South the natives bitterly complained that sovereigns were not received at the public treasuries. It has also been shown that sovereigns had a very extensive circulation throughout the whole of India, and that public opinion, both British and native, was unanimous in demanding that the sovereign should be adopted as the standard unit throughout the whole country

There never was in any country a movement so weighty and unanimous to change the monetary standard from Silver to Gold, and the attempt to do so in 1864 *only failed because it was tainted with Bimetalism*. It being then perfectly well known why the experiment failed in 1864, it follows that this great reform may now be effected with perfect success

Mr. Hollingbery, an official of the highest ability, and who

[1] *Nat. Hist.* XII. 41

had the very best official information, estimated that in 1874 the Silver Currency of India amounted to £130,000,000, and that the quantity of gold necessary to restore a Gold Currency to India was most certainly under £60,000,000

Mr. William Douglas,[1] a very high authority, estimates that the silver currency in India in 1892 amounted to about £160,000,000. Without being able to guarantee the absolute accuracy of these estimates within a certain number of millions, they are quite sufficiently so for all practical purposes

So it may, or it may not, be correct within a certain number of millions, that £60,000,000 of gold would be sufficient to restore a Gold Currency to India at the present time, but it is quite sufficient for all practical purposes

The next question is, where are these £60,000,000, or say £80,000,000, of gold to be got from ? Many persons are alarmed at the effect which such a demand for gold might have on the European markets

The answer to this is perfectly satisfactory and conclusive. India would not require to take an ounce of gold from the European markets. She has within her own borders many times as much gold as would be necessary to restore a Gold Curreney to her, even supposing that it was much higher than the best conjectured official estimate

When Lord Dalhousie demonetised gold in 1853, it was estimated that £120,000,000 of gold disappeared from circulation and was hoarded away. But it was well known to every one that there were then hoarded away vast quantities of gold. It is known that from 1835 to 1890 there were £131,000,000 of gold imported into India. So that, allowing for any deductions, it is positively certain that there are enormous quantities of gold hoarded away, which have only to be enticed out of their hiding places, on a sufficient inducement being offered, to be transformed into coin

Says Mr. Douglas[2]—“In 1835 it was supposed that the gold then accumulated in the country in various forms—a great portion in the old gold mohurs and pagodas, which were legal

[1] *The Currency of India*. London, 1892

[2] *The Currency of India*, 1892

tender before that date, was equal to about 140 millions pounds sterling. Since then, as already stated, gold equal to about 131 million pounds sterling has been imported and retained, and allowing for exports across the border to Central Asia, it is believed that there is now a stock of gold in India equal to at least 250 millions pounds sterling. A recent writer is inclined to put it as high as 300 millions. But this is merchandise and not currency, and hoarding of gold is therefore encouraged. For if exchange were at say 2*s*., any one possessing 100 sovereigns, if he wished to lend them out at interest, would not be able to sell them for more than about Rs. 1,000, which would be the sum lent in currency. But he might be repaid when exchange was at 1*s*. 4*d*., and then his Rs. 1,000 would only buy 66 sovereigns, whereas if he retained his 100 sovereigns till exchange declined to 1*s*. 4*d*., he could buy with them Rs. 1,500. *This illustration shows why gold hoarding always takes place in any country with a depreciating currency and gold at a premium*

This last remark is most pregnant and important. It is universally true. And it must have been proceeding in India, with the constantly falling value of the rupee, at a greatly accelerated rate. So that what with the known importations of gold, and the enormous quantities of it known to be hoarded away, it may probably be reasonably conjectured that the existing stock of gold in India is fully five times as much as would be necessary to restore the Gold Currency, without requiring a single ounce from any foreign source. So that alarm of the scholastic Economists may be quieted

We had some conversations with Colonel Smith, late Director of the Calcutta Mint, who had not the slightest doubt that a gold standard might be restored to India, with the greatest facility: though there were objections to the particular scheme he proposed.

Again Mr. Douglas says[1]—"In 1876 the Bengal Chamber of Commerce petitioned the Viceroy, Lord Lytton, to prohibit, or limit, the coining of rupees, but they omitted to point out in what way a gold currency could be introduced, or how the balance of indebtedness in the external trade would be paid. The Government very properly replied *that they could not close the mints to the*

[1] *The Currency of India*, p. 35

coinage of silver without at the same time opening them to the free coinage of Gold as legal tender money"

But in 1878 Lord Lytton's Government itself made a proposal to the Government at home for the introduction of a gold standard and a gold currency. But it was found to be quite unsatisfactory, and it was rejected by the Home Government in a long minute noticed above

At last, in 1892, after 14 years of apathy and hesitancy and delay, terrified at the tremendous fall in the value of silver, and the prospect of the repeal of the Sherman Act by the United States, and the probable deluge of silver that would be poured in on unhappy India, the Government of Indias ought the permission of the Home Government to close the Indian mints to the free coinage of silver, with the view of the restoration of the Gold Standard and Currency. The Home Government referred the proposal of the Indian Government to a Committee of presumed experts, who with great hesitancy and dubiety agreed to the proposition of the Indian Government, except that the signature of the most distinguished member of the Committee, Lord Herschell, was withheld. Thus, at last, the bold and decisive step of closing the Indian Mints to the free coinage of silver was taken, which ought to have been done at least sixteen years before

But this is only a half measure. It was avowedly done to prevent the further fall in the value of the rupee, and to prevent the deluge of silver which seemed likely to be poured into India. And in this they have been successful. They have arrested the fall in India itself. But they have not produced stability in the Exchanges, nor can any such measure do so. The impression they conveyed to the public was that this measure would make the exchanges stable at 1*s*. 4*d*. for the rupee. But in this it has wholly failed. The India Council have never been able to sell their bills at 1*s*. 4*d*.; and for some time they refused to sell any bills at all, and to meet their payments due in England, they preferred to obtain authority to raise a sterling loan of £10,000,000 in England. And they have even since then raised a second loan. But such a measure cannot be repeated. The Council were at last obliged to give in, and the price of their bills

has continued to fall. On the 17th of May, 1894, the Council were obliged to sell bills at 1*s*. $0\frac{13}{16}d$. No wonder that every account from India says that the public are getting more and more irritated, and the position is intolerable

One negative merit, however, the Government have had in the present trouble—they have refused to listen to a word in favor of Bimetalism

The Government have committed themselves to the restoration of the Gold Standard and Currency, and from that determination they cannot resile. And this decision the present Secretary of State has reaffirmed. But with the first indispensable measure of closing the mints to the free coinage of silver, it would seem that their energies are exhausted: they have not given the faintest public indication of their intention of taking measures to effect the indispensable completion of their work by restoring the gold standard. And yet Lord Lytton pointed out in 1876 that the necessary complement of closing the mints to the free coinage of silver was to restore the gold standard

Why, then, is this incomprehensible delay? The Government have the ball at their feet. Their course is clear before them, well buoyed out by the errors of their predecessors. They have gold in profusion at command. The exchanges can never be rendered stable except by the restoration of a common standard unit. Why, then, this delay, to which there seems no end?

Having taken the bold and indispensable preliminary step of closing the mints to the coinage of silver, the crowning of their work is perfectly simple and easy. There are but two subordinate considerations, which must be determined by the advice of experienced persons most conversant with the conditions of the country. These are—

(1) What should be the ratio fixed between the sovereign and the rupee?

(2) Should the rupee continue to be legal tender to an unlimited amount, as at present? or should it be limited?

With respect to the first of these questions, the Government may fix the ratio at any figure they please, which will draw forth the gold from its hiding places to be brought to the Mint to be

coined. If the coining of silver as a subsidiary coinage be strictly limited, the subsidiary silver coinages of England, France, Holland, and other countries show what a wide margin may subsist between the rated and the market value of the Coins. On this point, therefore, there is no difficulty. It would seem to be expedient to fix the value of the sovereign somewhere about 6 or 8 per cent. above the market value of silver

With respect to leaving the silver rupee as unlimited tender, or limiting it, we have the examples of England on one side, and France and Holland on the other. In England, not only is silver limited in amount, but it is also limited as legal tender. In France and Holland silver is limited in amount, but it is not limited as legal tender. Mr. Douglas, a very high authority, considers that the limitation of silver as legal tender in England is unnecessary, and that it is sufficient to limit it in amount, but it is not probable that Parliament would consent to alter the present system in England. But the examples of France and Holland certainly seem to bear out Mr. Douglas's opinion. Which system would be most suitable for India must be determined by the advice of the most experienced Indian experts.

At all events the stability of exchange, which is the principal point to be considered, is perfectly secure on either system, as may be seen in the case of France. Although five-franc pieces are unlimited legal tender within the country, the foreign exchanges are settled in Gold. And to preserve stability in the exchanges, it is only necessary that the unit in which the exchanges are settled should be the same. The state of the subsidiary or complementary currency has no effect on the exchanges. At the present time the foreign exchanges of France are in perfect order.

One thing, however, is positively certain, that it will never be possible to maintain a stable rate in the exchanges between England and other gold-using countries and India under the present imperfect and uncompleted system. It was proved before the House of Lords, that it is not possible to maintain a stable exchange between countries which do not use the same metal as their standard; and there can be no Monetary Peace between India and England until the Gold Sovereign is made the single standard unit throughout the whole Empire

Mr. Douglas concludes in these scathing and bitter but o'ertrue words—"All these attempts to give India a whole and sound currency have been steadfastly overruled by the authorities at home. The Home Government has been in the habit of passing on the Indian proposals to the consideration of Committees, consisting of irresponsible theorisers, or men under London monetary and Stock Exchange influences. The fixed idea of the latter is, that the United Kingdom is really the only country that should have a gold standard, and that silver is good enough for all the rest of the world. They tried hard, but tried in vain, in 1872, to prevent Germany from introducing the gold standard, and France from discarding bimetalism. They found, however, the financial statesmen of both countries keenly alive to what the best interests of their people demanded, and by no means to be cajoled into thinking that what was good for the United Kingdom should not also be good for them: and it is all the better for our own country that Germany and France, in recent years, have had an equally sound currency with itself: just as it has been a great evil, and a still greater evil to the Indian people, that their currency has consisted of a discarded and depreciating metal. But although the London financial '*octopi*' were unable to stop the action of France and Germany in the right direction, most unfortunately India, through the statesmen in Downing Street ultimately responsible for the direction of her affairs, has been within their power and influence. Up till now they have prevailed in maintaining a state of things in which gold is held to be the right standard for ourselves, but the discarded and depreciated silver of the rest of the world good enough for our great dependency. The Committees referred to did not, as a rule, contain a single banker, a single merchant, a single manufacturer connected with the Indian trade, or any one really representative of the Indian people, or any one with sufficient practical knowledge to enable him to guide the application of sound currency principles to the special circumstances of the case: yet the Home Government sheltered themselves behind their opinions in refusing to sanction the change recommended. This comes out particularly clear from the way in which the Indian proposals of 1878 were dealt with. Those, therefore,

responsible for the continuance of the cruel wrong inflicted on the Indian people in the matter of their currency, are not the Viceroy's Government, but the authorities at home"

Nor is this merely individual mercantile opinion, however high, but the *Times* correspondent, as embodying general public opinion in India, writes home 21st May, 1894—"The opinion is freely expressed on all sides that the Secretary of State has allowed himself to be made the tool of persons who sought from the first to thwart the measures adopted last June. Even the opponents of these measures admit that they have not had fair play. The situation is most critical. Even if the cotton duties are imposed, they will go but a little way towards meeting the deficit which is now inevitable, and what is still more serious, a bitter feeling is universal that the India Office has betrayed its trust, and, by subservience to the selfish interests of Lombard Street and Manchester, has done more to shake the British Empire in India than anything which has happened in this century"

Is not this expression of independent public opinion sufficient to rouse the Government from their torpor?

The whole of this unhappy India business for 30 years is an everlasting stigma on the British Economic and Financial Statesmanship of the nineteenth century

On the Alleged Mischiefs to India by restoring a Gold Standard

15. A great cry, however, has been raised that the adoption of a gold standard would be injurious to some of the commercial and industrial interests of India. In particular it is said that it would injure her trade with China, Japan, and other silver-using countries: and the tea planters of India and Ceylon are said to be bitterly hostile to it. But England manages to carry on a pretty tidy trade with China, Japan, and other silver-using countries, and yet she has a single gold standard. It is difficult to see why India cannot do the same. It may be possible that some private interests may benefit by present arrangements. There was never yet an Economic error in legislation by which

some private interests did not profit. But private persons can have no vested rights in injury to the State. It is said that the Ceylon tea planters are clamoring for the Government to stop the further sales of tea plantations, so that they may retain a monopoly of their present profits. How such ideas could be entertained by sane Englishmen at the present time it is hard to imagine, still less that any Government would concede the demand

But in all these cases the interests of the State must predominate over any private interests. When States enact Economical reforms they never pay the slightest heed to the injuries they cause to private persons. When Parliament, after having caused the intensest and widespread misery to countless multitudes of persons by its fatuous policy during the Bank restriction, reversed it, it never dreamt of making compensation to the people who had been brought to ruin by trusting to its erroneous legislation

There is no doubt whatever that the general interests of India demand the restoration of a Gold Standard. The evidence of this is too clear, unanimous, and decided to be denied. There can be no possible doubt as to the heavy incubus that the present state of the Currency is upon the prosperity of India. That is too clearly set forth in the memorials we have cited to be disputed. And when they strenuously demanded the restoration of the Gold Standard they never gave the slightest hint that it would be injurious to the trade with China and Japan

But as a matter of fact the commerce of India with gold-using countries is three times as great as that with silver-using countries. We will only mention one instance of the ill effect of the present system. India is a silver-using country, and Australia is a gold-using one. When, therefore, Australia has to pay India, she cannot do so in gold, so she has to export gold to America or London to purchase silver, adding thus to the obligation. This is only one instance out of many that might be cited. The interests of India with gold-using countries must predominate over those with silver-using ones, even though the latter might be affected for a short time, which, after all, is extremely doubtful

The last argument, however, is absolutely decisive. The dogma of the Bimetalists that the Exchanges can be rendered steady by International Agreement is a pure fallacy and delusion.

It was proved by decisive evidence and argument that it is impossible to have a stable Par of Exchange between countries which use different metals as their standards. It is absolutely impossible to prevent these fluctuations in exchange, which produce such well known evils as do not require to be recited, so long as India and England use different standards. This is decisive of the above question

On the Alleged Scarcity *and* Appreciation *of* Gold

16. In these discussions a most nonsensical expression has come into vogue. The Bimetalists constantly speak of the *Appreciation* of gold, meaning that, from an alleged scarcity of it, it has risen in value

Now even if it were true that there is a scarcity of gold, to speak of it as "appreciation" is absurd. Appreciation means estimating a thing at its true value. If a great poet or philosopher is said not to have been appreciated by his generation, it means that they did not estimate him at his true value, or merit

It has become very usual to speak of the *Depreciation* of silver, meaning the fall in its value. But this is quite inaccurate. Depreciation means that a thing is not of the value it professes to be. Thus, if shillings become below their legal weight by wear and tear, or by clipping, or other bad practices, or if coins are debased in their fineness below the legal standard, and are still allowed to pass current, they are said to be *depreciated.* But if a fall in the value of silver takes place from natural causes, it is not *Depreciation*, but a *Diminution in value*, as we have already pointed out

So if a Bank Note, which professes to be of the value of 20*s.*, is only really of the value of 14*s.* 6*d.*, it is depreciated because it is not of the value which it professes to be of

But to speak of any supposed increase in the value of gold from an alleged scarcity of it as *appreciation* is absurd

But the alleged scarcity of gold is purely mythical. It exists only in the imagination of the Bimetalists. The earth teems with gold. The supply of it is constantly increasing, and new sources of its production are being discovered every day. Indeed,

the *Times* of 22nd May, 1894, says—"The world's supply of gold now seems excessive." We can hardly take up a paper without reading of new fields of gold being discovered : and after making every allowance of a heavy discount for the rose-colored pictures of correspondents and the cunning wiles of company promoters, *et hujus generis omnis*, there can be no reasonable doubt that, within a short period, we may expect an increase in the annual production both of gold and silver only inferior, if indeed inferior, to that which took place on the conquest of Mexico and Peru, and the discoveries in California and Australia.

I leave these words as they stood in the former edition of this Tract, published only two months ago. But I am now enabled to give authentic accounts of the astounding discoveries recently made, which will produce an entire revolution in the fortunes of Western Australia : for which I am indebted to the kindness of Sir Malcolm Fraser, K.C.M.G., the Agent-General for the Colony

Up till a very recent time indeed, it was actually supposed that Western Australia was entirely devoid of any mineral resources whatever, except some lead and copper. It is now found that through the whole extent of its Western Coast, a distance of about 1,000 miles, there is an area extending in some places to 350 miles in breadth, which abounds with gold and other minerals. Every day fresh discoveries of gold and other metals are announced. From Kimberley in the extreme North to Dundas Hill in the extreme South, it literally teems with metals and minerals

Gold is said to have been discovered by the famous buccaneer Dampier, towards the close of the 17th century : and in an old Dutch map a locality is called *Provincia Aurifera*, but it seems to have been lost sight of afterwards. In 1888, however, rich alluvial gold fields were found on the spot. In 1868, gold was found in some localities but not in paying quantities. Then in 1885 the rich Kimberley gold fields were discovered. In 1887 gold was found in the Yilgarn Hills, about 20 miles east of Perth, and a belt cf country extending for about 80 miles in a southerly direction, rich in gold-bearing quartz reefs, and this promises to be one of the richest gold fields in Australia, as the gold-bearing reefs extend in all directions, and they improve with the depth

In 1888, a large gold reef was found at Roebourne on the North West Coast, and other very rich gold reefs have been discovered, and rich alluvial gold has been found all over the district. Then in 1891, rich alluvial gold was discovered in the Murchison river, 300 miles to the east of Geraldton. The present proclaimed area is 30,000 square miles. At the end of August, 1892, another sensational discovery of gold was made at Coolgardie, by a man named Bailey, which is one of the richest in the colony. Nuggets from 12 to 60 ounces are of very frequent occurrence. Six men working with the roughest tools for four weeks raised 2,500 ounces of gold. Three pieces of stone not larger than six inches and three inches broad, turned the scale at 90 pounds. The two larger ones, weighing 37 and 35 pounds, were estimated to contain 400 ounces of gold, and the smallest weighing 18 pounds was expected to yield 120 ounces. Six miners working for a month have taken out 4½ cwt. of stone, which averaged about 5½ ounces to the pound, a hitherto unheard of result

In 1891 there were 30,311 ounces of gold, valued at £115,182, raised from nine mines. In 1892 there were 59,548 ounces from the same mines valued at £226,283, while in the quarter ending June 30th, 1894, there were raised 40,450 ounces valued at £153,710

This return was scarcely completed when news came of still more amazing discoveries. Six miners were out prospecting when they came on a reef with gold sticking out of it in lumps. It was nearly as much gold as stone. In six weeks they dollied 4,300 ounces out of 30 cwt. of quartz, out of a hole three feet deep, and had as much more raised to the surface. Working only a few hours in the night they never dollied less than 18 pounds, and sometimes 40 pounds of gold every day. They then sunk a shaft fifty feet deep and found it as rich as at the top, a perfect blaze of gold. Within sight they had about £200,000 of gold, and no knowing how much more below

All these amazing discoveries have been made in about five years, and of course this enormous extent of country has scarcely yet been touched. Doubtless there are vast numbers of other districts quite as rich, and, as said above, we may shortly expect such an increase of gold as has not taken place since the discovery

of Mexico, Peru, California and Australia. And before very long Western Australia may expect at least to rival her Eastern sisters

And just as we write (September 29th), a telegram from Perth states :—"The excitement in mining circles is still growing, consequent upon further very rich discoveries twenty miles north of the Dundas." The world will await with the greatest interest news of further developments

What then becomes of the cry of the Bimetalists of the scarcity of Gold ?

We may also reasonably expect that these vast discoveries of gold may cause violent changes in the relative value of gold and silver, and how is it possible to suppose that these operations of natural forces can be controlled by the cobwebs of an International Agreement ?

The alleged rise in the value of gold is supposed to be proved because a certain number of commodities have fallen in price. But in fact, the fall in the price of these commodities can be fully accounted for in the change of the conditions of the productions themselves; and if some commodities have fallen in price, there are many others which have not fallen. Besides, the price of many commodities depends upon the condition of trade far more than the state of the currency, and has nothing to do with any amount of gold

Among other things the price of that mighty department of Economics, named Labor, has not fallen, except perhaps in some few isolated instances. On the contrary, wages generally have risen

But the most decisive example is that which is usually called the Money Market, or, as it ought more properly to be called, the **Credit** Market, as we have shown further on

In recent times discount has often fallen to $\frac{1}{2}$ per cent. It is most commonly between $1\frac{1}{2}$ and 2 per cent., and it very seldom now rises to 3 per cent. in this country. On the 21st of May, 1894, the nominal Bank rate of interest was 2 per cent., the market rate of interest was $\frac{3}{4}$ to 1 per cent., and since the rate of interest has fallen to $\frac{1}{4}$ per cent., and the price of the $2\frac{3}{4}$ Consols

was $102\frac{1}{8}$. This shows that $2\frac{3}{4}$ per cent. is now considered the usual average rate of interest in this country. How could that possibly be if there was really a scarcity of gold as alleged? In the days of Charles II., when gold was really scarce, the usual rate of interest was 10 per cent.

The alleged scarcity of gold is a pure delusion, and exists only in the imagination of the Bimetalists, and is only a cry got up by them to beguile the public into their schemes of Bimetalism. How can gold be scarce when any amount of Credit can be procured on good security at 1 per cent.? Such an assertion confutes itself among all persons who really understand business. It all arises from ignorance of the principles and mechanism of our colossal system of Credit. And on this subject the common text books on Economics are simply worth nothing at all. Adam Smith, Say and Mill admit that Credit has exactly the same effect on prices as money itself. Smith classes Bank Notes, Bills of Exchange, &c.—which are all **Credit**—as Circulating Capital. Say begins by including Instruments of Credit under the term Wealth: and has given some notices of their use in commerce. Mill admits that Bank Notes, Cheques, Bills of Exchange, &c.—which are all **Credit**—act in the same way, and perform all the functions of Money. He also admits that a promise or order to pay—*i.e.*, a **Credit**—issued by a solvent merchant or banker is of the same value as gold. He also admits that Credit produces the same effects on prices as money. But beyond these few perfunctory sentences, these writers have no more conception of the great juridical and scientific principles and mechanism of the colossal system of Credit, than so many children of six years old have of the triple expansion engines of the *Campania*

The rock upon which the Bimetalists, and almost all persons without exception who bemuse themselves and their readers by chattering about the Currency, or Circulating Medium, founder, is that they consider that Gold and Silver only constitute the Currency, or Circulating Medium, and the Measure of Value, or Prices. And that prices are governed solely by increasing or decreasing quantities of Gold and Silver. That doctrine might possibly have had some appearance of truth several hundred years

ago, but at the present day it is utterly exploded, and out of date. In this and other great mercantile countries, such as the United States, where there is a regularly organised system of Mercantile Credit and Banking, Gold and Silver do not form more than 1 or 3 or 4 per cent. of the Currency, or Circulating Medium, and Measure of Prices

Even in the most common books on Economics it may be seen that it is admitted that Credit, in various forms, has exactly the same effects on production and prices as an equal quantity of Gold and Silver, though the writers never had any conception of the stupendous effects of this admission

We have in fact passed through the ages of Gold and Silver, and left them long behind us. This is the age of **Credit**, or **Paper**: and no one who does not study and thoroughly comprehend the principles and mechanism of the colossal system of Credit, Mercantile and Banking, can form the most distant conception of the effects of an increased or decreased quantity of Gold and Silver on prices, and is not justified in writing on the question

The great difficulty in imbuing the minds of students with the true principles of Credit consists in the elementary notions which the common text-books on Economics instil into the minds of their readers. They allege that all Wealth is the produce of land, labor, and capital, and that Labor is the cause of all Value: though they abound in flat contradictions of such doctrines. When students, therefore, whose minds have been filled with these elementary ideas, see gold sovereigns and silver shillings, they readily admit them to be wealth, because they are the products of land, labor, and capital. But when they are told that Rights of action, *i.e.*, Credits, or Debts, are Wealth, for exactly the same reasons, and under the same conditions that Gold and Silver are Wealth, they are startled and shy at such a doctrine

The solution of the whole difficulties which perplex and confuse Economics at the present day, is to revert to the original and unanimous doctrine, which the ancients held for 1,300 years, that **Exchangeability** is the sole essence and principle of Wealth, and that everything is Wealth which is exchangeable, or which

can be bought and sold, no matter what its nature or its form may be : and that **Demand** is the sole cause of Value

As pointed out in the dialogue Eryxias, cited above, metallic money is wealth only in those places and at those times in which it is exchangeable, or can purchase other things. Wherever and whenever it ceases to be exchangeable, or has lost its purchasing power, it ceases to be Wealth

But the Promise to pay of a solvent merchant or banker is equally Wealth, as even Mill himself admits, because it will be paid or purchased in money by the issuer at maturity. The Bank of England stamps a piece of paper with a promise to pay £100 on demand. This Note has Value, and is Wealth, because the Bank is ready to purchase it with 100 sovereigns at any moment the holder of it pleases

Moreover, if persons would study any elementary text-book of Jurisprudence before they write on such a subject as Credit, they would see that Rights of action, such as Credits, or Debts, as well as other species of Rights, are saleable commodities, just like Gold and Silver. Thus the famous Roman jurist, Ulpian, says—"We are accustomed to buy and sell **Debts** payable on a certain day and at a certain event. Because that is Wealth (*Res*) which can be bought and sold." So in Roman Law, Credits or Debts (and other rights) are termed *Pecunia*, *Bona*, *Res*, *Merx:* in Greek Law, *χρήματα*, *πράγματα*, *οὐσία*, *ἀγαθά*, *οἶκος*, &c.: and in English Law, Goods, Chattels, Merchandise, vendible commodities, incorporeal property, incorporeal wealth

Thus the whole mass of existing Rights of action, Credits, or Debts, in this or any other country, is a gigantic species of Exchangeable Property, just like Gold, Silver, corn, timber, manufactured goods, or any other material chattels

The superlative importance of this is, that in this country all commerce and trade is carried on by the Creation, the Circulation, and the Extinction of these saleable commodities, termed Credits or Debts, and not by Gold and Silver. By the usage of trade, ready money in the City of London means a three months' bill. And these Rights of action, and other Rights, form articles of export and import between country and country, and affect the Foreign Exchanges, exactly in the same way as material commodities do

The fact is that the value of Gold is determined not by the quantity of Gold alone, but by the aggregate of Gold and of all Credits payable in gold—which may be termed Gold Credits

The value of Silver is determined not by the quantity of Silver alone, but by the aggregate of Silver, and of all Credits payable in Silver—which may be termed Silver Credits

And the market ratio of Gold to Silver is determined not by the quantity of Gold and Silver alone, but by the ratio of the aggregate of Gold and all Gold Credits to the aggregate of Silver and all Silver Credits

Another delusion which obscures the comprehension of this subject is that which the concoctors of the Bank Act of 1844, and many scholastic Economists, hold, that all Bank Notes, Bills of Exchange, Cheques, &c., are always actually paid in money, because they are expressed to be payable in money. We have shown that there are three other methods by which obligations are extinguished, besides payment in money.[1] And at the present day it is probable that, in this country, not one Bill of Exchange in 500,000 is ever paid in money, but by the other methods we have described

Another delusion which obscures the comprehension of this question is the exploded fallacy, propagated by such obsolete books as *Gilbart on Banking*, that the function of a bank is to "borrow money from one set of persons and to lend it to other persons." Banks never "lend" out money. They buy Money and Debts payable at a future time by creating in exchange for them Debts of their own payable on demand, which in the technical language of modern banking are termed **Deposits.** As Mr. Cazenove rightly said—"It is these Banking Credits that are the loanable capital"

And these Deposits, or Banking Credits, exceed several times the quantity of specie the banks find necessary to hold in reserve. The sole and express purpose of Banks is to issue Rights of action, Credits, or Debts, which preserve their value with specie, by the banks always taking care to hold such a quantity of specie

[1] *See* chap. III., sect. IV., *supra*, *and* chap. XII., *infra*

that their creditors may feel assured that they can get money for them on demand. The express function of a Bank is to augment or increase the Currency, or Circulating Medium, of the country; and so, as every writer who understands the subject has said, to increase the Circulating Capital of the country. As Bishop Berkeley said 150 years ago, a Bank is a Gold Mine

Bills of Exchange are paid in this country, not by Gold, as is so often supposed, but by the constant creation of new Banking Credits, as we have fully explained further on[1]

The amount of these Deposits, or Banking Credits, created by all the Banks in the United Kingdom, approaches to about £1,000,000,000. And they have exactly the same effects on production, prices, and the rate of interest, as an equal quantity of Gold and Silver. They are for all practical purposes now the Current Coin of the realm

It is the immense power which our leading Banks have of creating these Deposits which has reduced the rate of interest to 1 per cent.

To use a homely illustration, the vast amount of Credit, by means of which all commerce and trade is now carried on, may be compared to a schoolboy's humming top, which, however large it is, revolves on a very minute axis. At the present day Gold is nothing but the minute axis upon which the whole of the colossal system of Credit revolves.

However, as the purpose of this work is to give an exposition of the principles and mechanism of the organisation of our system of Credit, we cannot say any more about it here, but must refer any of our readers, who care to enquire into it, to the preceding and subsequent chapters

All this shows how utterly futile is the cry raised by the Bimetalists of the Scarcity and Appreciation of Gold

On the Effects *of Establishing a* Fixed Ratio *between* Gold *and* Silver *by* International Agreement

17. Let us however exert a strong effort of imagination, and suppose that all the wide yawning crevasses and Himalayan mountains of obstacles were surmounted, and a meeting of all the

[1] *See infra*, chap. IX., § 23

wise men of the earth, gathered together from the East and the West, from the North and the South, were to meet in solemn conclave to establish a fixed ratio between Gold and Silver by International Agreement—What is the ratio to be ?

Bimetalists tell us with the lightest of light hearts that the Ratio to be fixed upon is of no consequence—the merest matter of detail. The thing to be done is to fix upon *some* or *any* Ratio.

But is the Ratio to be fixed upon such a mere bagatelle, such a matter of mere detail ? If, by the wildest effort of imagination, and the strangest freak of fortune, such a meeting were ever to take place, the Bimetalists would find in it their Sedan

Now let us examine the effects upon England and France of fixing on a Ratio

The *fanaticissimi* of Bimetalists contend that the old ratio of 1 to $15\frac{1}{2}$ should be fixed upon

Now what would be the effect on England of establishing such a Ratio ?

The simple effect would be that all debtors—The Government, all Banks, all merchants and traders, all Corporations and Institutions which have contracted to pay 20*s.* in gold, would be allowed to discharge their obligations with 10*s.* in silver—which simply spells **Universal Bankruptcy.** Would England ever agree to establish such a Ratio ?

The less *fanatici* of Bimetalists contend that the Ratio should be fixed at some point more in accordance with the present relative market value of gold and silver

The present Ratio of gold to silver is about 1 to 35

The Bank of France has at present in reserve an enormous mass of silver which is valued at £50,000,000

But how is this mass of silver valued at that sum ? Simply by retaining the obsolete and imaginary ratio of 1 to $15\frac{1}{2}$, and rigorously closing its Mints to the free coinage of silver

French five-franc pieces, which are now legal tender to an unlimited amount, are in reality as much token money as our shillings are, whose present market value is somewhat less than 5*d.* The market value of the silver in the French five-franc pieces is somewhat less than $2\frac{1}{4}$ francs

If the French mints were opened to the free coinage of silver at the present ratio of 1 to 35, the Bank of France would instantly lose about £28,000,000 in value of its assets. Every Debtor in France would be allowed to pay off his debt in five-franc pieces worth about $2\frac{1}{4}$ francs, which simply spells **Universal Bankruptcy** for France. Does any human being suppose that France would ever consent to establish such a Ratio ?

But the fact is that France cannot stir a step from her present position in the direction of Bimetalism without bringing on a **National Bankruptcy.** Even supposing that all the world should agree to adopt Bimetalism at the ratio insisted upon by the keenest French Bimetalists, *i.e.*, $15\frac{1}{2}$ to 1, it would not have the slightest effect on the Laws of Nature. The value of the five-franc pieces would at once descend to the market value of silver, notwithstanding all the cobwebs of International Agreements. And that spells National Bankruptcy. France is therefore firmly and immovably fixed in her present position

Thus, supposing this conclave of wise men to meet to establish a fixed ratio between gold and silver by International Agreement, the very first proposal to take a definite ratio would shatter it to atoms like a bombshell of dynamite, amid universal laughter—never to meet again to embark on such a wild goose chase

So much for the contention of the Bimetalists that the fixing of a ratio by International Agreement is a mere insignificant matter of detail

The fact is that the great fundamental Law of the Coinage, first demonstrated by Oresme, Copernicus and Gresham, that Inferior Coins and Superior Coins cannot, in the nature of things, circulate together in unlimited quantities, which has been found to be true in all ages and countries, and which has been accepted as true by all sound Economists, is not confined to single and separate countries, any more than the Law of Gravitation or the Laws of Optics are. These, when once demonstrated in any one country, are found to be true throughout the whole world

So the Law of the Coinage in question was demonstrated in France by Oresme, in Poland by Copernicus, and in England by Gresham, quite independently of each other

Its terms are perfectly general and universal : they are not limited to single States, nor by Time nor Space: they are absolutely true, through however large an area they operate—throughout the whole world as well as in each separate State. If the whole world were to agree to fix a legal ratio between Gold and Silver, which differed from the general market rate, the same consequences would follow throughout the whole world, as have been invariably found to follow in every separate State—*The Superior Coin would invariably be driven out of circulation, and the Inferior Coin only would remain*

Bimetalists sometimes allege that the Law of Oresme, Copernicus and Gresham only operates to cause the exportation of the Superior Coin to foreign countries, and they ask—If all countries were to agree to one fixed ratio, to what foreign countries could the Coin be exported ?

But they fail to observe that there are two other modes of disappearance besides being exported—

1. Simply by hoarding away; as has happened in every country where Bimetalism has been established

2. Melting down the Coin into Bullion. If the value of the metal in Coin falls below its value in Bullion, it is at once melted down into Bullion

These two methods of disappearance do not necessitate any exportation of the metal

The notion, then, that it is possible to fix a legal ratio between Gold and Silver by International Agreement, any more than States can do so separately and singly, is a vain delusion and a pure chimera. It is no more possible to bind Gold and Silver together by International Agreement than it is to tie the planets together by packthread

Or by International Agreement to suppress volcanos, earthquakes, tornados, and typhoons

Or by International Agreement to compel the waters of the Ganges to flow back from the Sonderbunds to the Himalayas

Or by International Agreement to compel the Sun to rise in the West

Three Forms *of* Bimetalism

18. There are three Forms of Bimetalism—

First Form.—Where an unlimited number of Coins of gold and silver are issued of a fixed weight, fineness, and denomination, but at no fixed legal ratio attempted to be made between them: but they are left to find their own level, or market value, in public use

This was the state of India in 1766. There were then 283 different kinds of gold coin, and 711 different kinds of silver coins in circulation, of different weights and fineness: they were constantly fluctuating in value. No one knew the value of the coins in his possession, and in the most ordinary transactions a shroff, or professional money changer, was obliged to be called in, as he alone knew the value of the different coins, and he took care to profit thereby. All the moneys paid into the public treasuries had to be valued by a shroff

Such a system of coinage was tolerable under the absolute despotism of the Mogul dynasty, where the taxes were laid on the ryots, and there was extremely little commerce and no banking

But it was intolerable under a civilised Government, and the extension of commerce and banking. It then became indispensable to have some fixed unit of payment

How could Bills of Exchange be paid by bags of miscellaneous coins, each one of which required a separate valuation? How could sums paid into or out of a bank in quantities of miscellaneous coins be valued? It would require a shroff to intervene in every single transaction between banker and customer. It was this very thing which caused the Banks of Venice, Amsterdam, Nuremberg, Hamburg, and many others to be founded, to establish a fixed standard of payment in all commercial transactions. The East India Company found this system absolutely intolerable, and endeavored to establish a system of Bimetalism, by fixing a ratio between Gold and Silver Coins, to remedy it, but it turned out a complete failure

Second Form.—One Coin may be made the sole legal standard, and coins of other metals may be allowed to pass current at their market value with respect to the standard coin. This system

prevailed in India from 1835 to 1853. But it is open to the obvious objection that these auxiliary coins may fall greatly in value, and so the holders of them may sustain great losses

It was the fear of this that made Lord Dalhousie demonetise gold at a week's notice in India, and order the Public Treasuries to receive no gold

Under each of these systems Gold and Silver Coins may circulate together in unlimited quantities, but the practical inconveniences are so great, that they become intolerable

Third Form.—It may be attempted to maintain Gold and Silver Coins in unlimited quantities at a fixed legal ratio. But the experience of centuries in every country has shown that this is absolutely impossible. It has been proved by uniform experience that the relative value of the coins is governed by the relative market value of the bullion, and that when the market value of the metals in bullion differs from the fixed legal ratio of the coins, the coins made of the metal which is overrated invariably drive the coins made of the metal which is underrated out of circulation, and alone remain in possession of the field

The East India Company had full experience of each of these three forms, and found them each and all impracticable and impossible, and then, taught by the hard logic of facts, finally denounced and renounced Bimetalism and all its woes, and adopted **Monometalism**—*Expertæ crede.* Most unfortunately she adopted Silver instead of Gold, which she might have done with the greatest ease, and thus has brought on our present troubles.

The True Principles *of a* Coinage

19. The Circulating Medium or Currency of the world consists of Specie, Gold, Silver and Copper, and **Credit** in all its forms, both written and unwritten

The facts detailed in the preceding sections, and the arguments of the illustrious writers we have cited, demonstrate beyond the power of contradiction that the following are the true principles of a Coinage—

1. That the Coin which is to be the standard unit of Money,

the measure of the value of all property, and the instrument of Commerce, should be made of **One** metal only—that it should be coined in unlimited quantities—and absolutely free from all charge, so as to preserve exactly the same value as uncoined Bullion—and that it should be Legal Tender to any amonnt

2. That Coins of any other metals which are issued should be purely subsidiary, and kept strictly under the control of the Government. That a certain seignorage should be taken out of them, partly to defray the expense of the coinage, and partly to maintain their value above that of uncoined Bullion. That they should only be issued in limited amounts to meet the wants of the people for small change—and that they should be Legal Tender only for very small amounts

If these conditions be observed, the market value of the metals of which the Coins are made may fall very considerably below the rated value of the Coins without producing any ill effects

Thus in 1817, when our present system of Coinage was established, the seignorage taken out of the Silver Coinage was estimated to raise their value about 6 per cent. above that of Silver Bullion, but, according to the present market ratio between Gold and Silver, the value of the Shilling is more than 50 per cent. above its value as bullion. And there have been no disturbances, because their amount is strictly limited, and they are only legal tender to the amount of 40*s*.

The same arguments apply to our Copper Coinage

So also the current five-franc pieces in France are in reality only worth about 2¼ francs, according to the relative market value of Gold and Silver. But the mints are closed to the free coinage of silver, and so their quantity is strictly limited

Thus the value of the subsidiary Coins is maintained at the level of the value of the standard unit

3. Banks should have no legal limit on their creation of Banking Credits—as they have not at present—nor upon the methods by which they find it most convenient to circulate them, either Bank Notes or Cheques. At the present time the amount of Banking Credits allowed to be circulated by Notes is strictly limited by law; but the amount of Banking Credits allowed to be

circulated by Cheques is absolutely unlimited. This distinction between Cheques and Notes is mischievous and absurd: because Cheques and Notes are identical instruments. Their sole use is to circulate Banking Credits which have been previously created: and the real danger lies in the excessive creation of Banking Credits, upon which the Law places no limits—and not in the instruments by which they are circulated

In order to preserve Banking Credits at their par value with the Standard Coin, they should be convertible into that coin on demand; and to prevent an excessive quantity of them being created, and so driving specie out of the country, the **Rate *of* Discount** should be strictly adjusted by the state of the Foreign Exchanges and the amount of Bullion in the Bank

If these rules be strictly observed, the whole Circulating Medium, or Currency, of subsidiary specie, and the supplementary currency of paper, may be kept at par with the Standard Unit

If the Standard Unit be kept its full legal weight and fineness, the state of the subsidiary and supplementary Currency has no effect on the Foreign Exchanges

In 1697, owing to the debased state of the Silver Coinage, which was then the Standard Unit, the Foreign Exchanges fell 25 per cent., and owing to the suspension of cash payments by the Bank, its Notes fell to a discount of 20 per cent. But as soon as the new Silver Coinage was issued, the Exchanges were immediately rectified, although Bank Notes continued at a discount of 20 per cent.

So at the present time, the fact that the Silver Coins are 50 per cent. below their rated value has no effect on the Exchanges.

Conclusion

20. We have now laid before our readers a succinct, but sufficiently full, account of the historical facts, and the arguments of a series of illustrious men for five centuries, upon which the modern system of Monometalism is founded, so that Monometalists may know how it is to be defended, and Bimetalists may know the facts and arguments which they have got to meet and confute, before they can hope to overthrow it

That there is at the present time a very severe commercial depression throughout the world is indisputable. But when we think of the millions of armed men in Europe at the present day withdrawn from productive employment, and eating their heads off—when we think of the rigorous system of Protection, which seems to be getting more severe every day, by which most nations are walling themselves in, impeding the free course of international exchanges which conduce to their wealth and prosperity—when we think of the Currency and Tariff vagaries of the United States, which have produced in that country a crisis more severe and prolonged than any since 1837, and of which we are far from seeing the end yet, while the factions in Congress are fighting each for its own presumed private interests, without a thought for the general good of the country, and while these conflicts last paralysing all business, and while foreign capitalists are withdrawing their funds from a country ruled on such anarchic Economic principles—when we think of the shameless traffic in Foreign Insecurities, promoted by firms which were once the Princes of British commerce, but which are now righteously lying low in the dust—when we think also of the Liberator and other similar scandals, which have bought misery and ruin into countless numbers of private families, so that they are obliged to limit their expenditure to the barest necessities of life—when we think of the number and the magnitude of the strikes brought about very much by restless agitators ignorant of the very rudiments of Economics—and when we have as a counter-stroke what has been aptly termed the Strike of Capital, namely, Capitalists, harassed and terrified by these incessant strikes, withdrawing their capital from the productive employment of labor, and investing it only in first-class securities at the lowest rate of interest—when we think of the refusal of Capitalists to invest in reproductive works in India, while the apathetic Government has seen the rupee continuously falling before its eyes without taking the necessary steps to reform the Monetary system of India, which can alone bring back confidence to Capitalists—we should have thought that these circumstances were sufficient to account for all the present *malaise*

But to the Bimetalists all these things are as nought—mere

trifles, light as air. They are all due to the want of Bimetalism, and if only Bimetalism could be restored it would act like Aladdin's lamp, and bring boundless prosperity to the world

Nevertheless, just as we were induced to believe that the Sun of wealth and prosperity, bringing healing on its wings, was about to rise on a suffering world, it suffers, alas ! a disastrous eclipse

For all these bright visions are based upon the pertinacious assertions of the Bimetalists—" that it is possible by International Agreement to regulate the Value of Gold and Silver." But the uniform facts of Monetary history, and the unanimous arguments of all competent authorities for five centuries, give the most positive and conclusive *démenti* to this assertion. It is a pure fiction of the brains of the Bimetalists, who have yet to learn the very first principle of Inductive Philosophy, that in order to conquer nature, we must begin by obeying her. The Bimetalists have plunged themselves, and all who believe in them, into a fathomless quicksand. " There let them lay," as Byron would say.

The Bimetalists assert that by establishing a Fixed Ratio by International Agreement between Gold and Silver, both metals may be kept in circulation in unlimited quantities, and so may increase the Circulating Medium of the World. But all experience proves that this is a hopeless delusion. The uniform result of attempting to make Gold and Silver circulate together in unlimited quantities at a Fixed Ratio has been that the one metal drives out the other according as it was overrated or underrated. The *two metals simply displaced each other alternately:* and there was no increase of the Currency

Now what would be the infallible result if the Bimetalists had their way, and Gold and Silver were coined in unlimited quantities at the ratio of $15\frac{1}{2}$ to 1 ? The first result would be **Universal Bankruptcy** ; then Gold would entirely disappear from circulation throughout the world, and Silver would be the only Metallic Currency

The Bimetallic heresy was, we believe, hatched in the brains of some French Economists, and if it were carried out, what would be the inevitable consequence to France ? If we are rightly informed, there is no Gold in general circulation in France.

The sole metallic Currency consists, as it used to do, of those dreadful five-franc pieces, or cart-wheels, as the Americans call them. The Bank of France holds more than 50 millions worth of Silver. The general Silver currency of France in five-franc pieces cannot be estimated at much less than 200 millions. Now suppose that the French mints were opened to the free coinage of silver at $15\frac{1}{2}$. All this mass of Silver currency would instantly fall to its market value, it would lose more than half of its rated value. The Bank of France would lose more than 28 millions, the public holding the five-franc pieces would lose little less than 100 millions. If, as we believe, the French *Rentes* are paid in silver, the *Rentiers* would lose more than half their income. That means instant **Bankruptcy** and **Ruin** to France. She would lose more than half the penalty she had to pay for the Franco-German war

It would mean exactly the same to England and every other European State, and the United States

Now as the internal Currency of France is entirely silver, it follows that opening her mints to the free coinage of silver at any ratio whatever means instant **Bankruptcy** and **Ruin.** France is therefore bound by the heaviest bail of solvency to abstain from all contact with the unclean thing. And this fact alone will scatter all the hopes of the Bimetalists to the winds

Hence Bimetalism at the ratio of $15\frac{1}{2}$ to 1 means instant Bankruptcy and Ruin to every great Commercial State

Surely the net is spread in vain in the sight of any bird

But supposing even that the market ratio of Gold to Silver of 35 to 1 were adopted. What amount of Silver would be required to replace the Gold Coinage of England? The most authentic estimate places our Gold Coinage at about 90 millions. A high authority has stated that a million in gold weighs about 10 tons. Therefore our present Gold Coinage weighs about 900 tons. At the ratio of 35 to 1 it would require 31,500 tons of silver to replace our Gold Coinage! Assuming that the Bank of England keeps a low average of 20 millions in gold, that weighs 200 tons. To replace this in silver would require 7,000 tons! Other Banks would require a proportionate amount. Every

person who carries a bright little sovereign in his pocket would have to carry seven huge cartwheels. And how long would it take to coin 31,500 tons of silver? The whole thing is so monstrous that it only requires to be stated to be at once dismissed as a vain chimera

Governments have no business to concern themselves with keeping up the price of silver rather than that of wheat or any other commodity, making themselves the tools of private persons. Their sole business is to provide the best Monetary system possible for the general good of the country. And that is by having Gold as the standard unit, and issuing silver as a subsidiary currency, in such limited quantities as the wants of the people may require, on such principles as may maintain its value at par with gold

The fact is that all attempts by Governments to bolster up the price of Silver have proved dismal failures. The United States, France, Germany, Italy, all tried to issue trade dollars for circulation in Asia and Africa, but they were universally rejected, and have ceased to be issued.[1] The notorious failure of the Bland and Sherman Acts in the United States need not be further noticed

There is no method so sure and powerful of augmenting the elastic Currency of a country, expanding and contracting exactly so as to meet the wants of the people, and at all times maintaining it at par value with the Standard Unit, as the institution of a solid system of Banking, of which we have set forth the complete mechanism further on. It will be seen that the express function of a Bank is to create and issue **Rights of action, Credits,** or **Debts,** which circulate as money, and produce all the effects of an equal quantity of gold. It is these Banking Credits which do the real work of the country. The Banks have only to maintain such reserves of gold as may assure the public of their being able to redeem their Credits on demand. What India wants above everything is the extension of a solid system of Banking. Of course this must only be gradual, and it is most dangerous to hurry it on too rapidly. But what is wanted is to diffuse a knowledge of the real mechanism of Banking and of its powers, and

[1] *The Monetary Question in* 1892. O. Haupt, London, 1892

to promote banking habits among the people as far as possible. It is the extension of a solid system of Banking that India wants, and not the fantastic fooleries of Bimetalism. It may not be possible to arrive at such a development of banking in India as exists in Scotland for ages to come ; still, it is the end to be kept in view. Two hundred years ago Scotland was the poorest of poor countries : but she devised the most perfect system of banking in the world. She has executed a series of magnificent public works of all kinds, and never had to cross the border for a penny. She has done it all by her **Banking System.** If India had such a banking system as Scotland she would never require an ounce of foreign capital. If she had such a system she might multiply her canals and railroads, and develope her agriculture, her manufactures, and her other resources of every kind, and multiply her wealth many times : and also reduce the exorbitant interest charged by the native money lenders to the unfortunate cultivators of the soil

The Bimetalists probably build their hopes of success on the precedent of the Anti-Corn-Law League. But the two cases are wholly different. After an immense agitation, the Anti-Corn-Law League succeeded in crowning the progress of Free Trade by storming the Malakoff of Protection. But for the 20 years preceding, all enlightened persons had adopted the doctrines of Free Trade, and legislation had constantly proceeded in that direction. The Anti-Corn-Law League excited the intensest popular interest, and its doctrines were fully understood. It was merely to repeal an obnoxious statute, which all enlightened persons had become convinced was inherently unjust, and deeply injurious to the national prosperity. With all that, there is every probability that it would not have succeded in overcoming the powerful interests arrayed against it for several years, if it had not been for the fortuitous occurrence of the potato failure in Ireland. But the Bimetallic League are advocating a scheme which very few people care about, and still fewer understand, but which the more it is examined by the light of historical facts and solid reasoning, the more visionary and impracticable it is seen to be. It has just received a crowning blow. The German agriculturists,

deluded into the belief that Bimetalism would raise the price of corn, worried the Government into appointing a Commission on the subject, and the Commission has agreed that it is not possible to raise the price of silver by International Agreement. So vanish the last flickering hopes of the Bimetalists. The Bimetallic League is foredoomed to failure, because it is in rebellion against the demonstrated Laws of Nature

The Anglo-Indian Government, as Governments usually do, have committed every species of error. By the process of exhaustion there is only one remaining course for them to adopt, and that is the right one. The blethering clishmaclavers of the Bimetalists have vanished into the absolute **Nothing.** To exclude Gold, which circulated in India by scores and scores of millions, altogether from the Monetary System, was the most extraordinary act of barbarism and retrogression ever committed by any Government. They followed, it appears, the example of the commercial Dutch, but the Dutch repented of their error, and retraced their steps. The Indian Government must do the same. For 30 years the Indian Government has seen the necessity of restoring the Gold Standard, and made some abortive efforts to do so. If the right course had been adopted 30 years ago, the sovereign might have been made the Standard Unit at the rate of 10 rupees, as was universally demanded. But the Government coquetted with Bimetalism. If they had then closed the mints to the free coinage of silver, they might easily have established the sovereign at the rate of 10 rupees, and then India would have had a Currency on the model of that of Great Britain, which has since been followed by every European Government. But they sought to fix the sovereign at 10 rupees, *without closing the mints*, which their own experience for 100 years might have warned them was utterly impracticable. They still have adhered to their resolution to restore the Gold Standard : and they took the indispensable preliminary step of closing the mints in June, 1893. But we are now in June, 1894, and they have not given the faintest sign of completing their work. Why is this unaccountable delay ? Is the Government asleep ? Nero (the Government) is fiddling while Rome (India) is burning. Closing

the mints would prevent a fall in the internal value of the rupee in India, but it could not possibly produce stability in the Exchanges, nor affect the price of the Council Bills, because they must be purchased at the market price of silver. Accordingly they have continued to fall since the closing of the mints. There can be no possible stability in the Exchanges, nor in the price of the Council Bills, until the Gold Standard is restored

Having taken the indispensable step of closing the mints, the Government may fix the ratio of the sovereign and the rupee at whatever figure they please. With the examples of the English and French subsidiary Silver Coinages before us, it would seem that they might even fix it at 10 rupees. But it certainly would not be expedient to do so. The ratio between Gold and Silver in England and France was fixed as near as possible at their market value at the time, and people got accustomed to it : and this ratio has been preserved by strictly limiting the issue of silver. But to go back to the old ratio for India would be much too violent a proceeding. The best course would seem to be to follow the British precedent as nearly as possible, and to fix the ratio just sufficiently above the current market price of silver to induce the people to bring out their hoards of gold to be coined, and to induce merchants to import Gold rather than Silver. Perhaps Customs duties might be made payable in Gold. At all events, the Government has it in its power to have its Treasuries bursting with Gold within a definite time. To prepare the necessary quantity of Gold Coin will necessarily be a work of some time, and already a whole year has been wasted in which so much might have been done. A year which has already added so much to the calamities of unhappy India. This extraordinary delay is nothing less than culpable. By these means only can a stable Monetary System be restored to India, in which people will feel confidence, and Capital will once more flow freely into the country to develop its resources

The unfortunate blunder made by the Anglo-Indian Government in their attempt to restore the Gold Standard and Currency in 1864, has fixed for ever upon unhappy India a burden of more than £8,000,000 a year in the extra taxation necessary to meet her payments in London, besides the countless losses from the

retardation of the development of her resources, from the disturbance of commerce, and the losses of private persons. Such have been the consequences to unhappy India of the ignorance of the Laws of Economics in high places. She will for ever feel bitterly the truth of Horace's line—

"Quicquid delirant Reges, plectuntur Achivi"

The past is of course irretrievable: but the Government has now the opportunity of fixing things in their present position, and so preventing matters getting worse, and henceforth letting her commence a course of renascent prosperity

Let the Bimetalists cease from their vain endeavors to upset our present system of Coinage, in which they can no more succeed than the ripple of the summer sea can wash away Ailsa Craig. Let them join heart and soul with those who are now urging the Government to restore the Gold Standard and Currency to India, modelled on such of the European systems as the wisest and most experienced expert may deem most suitable for the circumstances of India. For let them be assured that there is no possibility of bringing about a stability of Exchange between England and India until the two countries have a common standard Unit: and there will never be Monetary Peace for India until the **Gold Sovereign** is made the **Standard Unit** throughout the whole **British Empire**

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